

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 March 31, 2024

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)  
915 Meeting Street  
Suite 600  
North Bethesda, Maryland  
(Address of Principal Executive Offices)

52-1209792  
(I.R.S. Employer  
Identification No.)  
20852  
(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 | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

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 ☒

As of April 30, 2024, the number of shares outstanding of Choice Hotels International, Inc.'s common stock was 48,162,146.

CHOICE HOTELS INTERNATIONAL, INC.

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# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

|                                                       | Three Months Ended |                  |
|-------------------------------------------------------|--------------------|------------------|
|                                                       | March 31,          |                  |
|                                                       | 2024               | 2023             |
| <b>REVENUES</b>                                       |                    |                  |
| Royalty, licensing and management fees                | \$ 105,467         | \$ 107,492       |
| Initial franchise fees                                | 6,705              | 7,882            |
| Platform and procurement services fees                | 13,756             | 13,843           |
| Owned hotels                                          | 24,991             | 22,332           |
| Other                                                 | 16,357             | 10,627           |
| Other revenues from franchised and managed properties | 164,673            | 170,616          |
| <b>Total revenues</b>                                 | <b>331,949</b>     | <b>332,792</b>   |
| <b>OPERATING EXPENSES</b>                             |                    |                  |
| Selling, general and administrative                   | 48,625             | 48,921           |
| Business combination, diligence and transition costs  | 15,844             | 10,362           |
| Depreciation and amortization                         | 10,935             | 10,023           |
| Owned hotels                                          | 19,323             | 17,146           |
| Other expenses from franchised and managed properties | 177,073            | 168,489          |
| <b>Total operating expenses</b>                       | <b>271,800</b>     | <b>254,941</b>   |
| <b>Operating income</b>                               | <b>60,149</b>      | <b>77,851</b>    |
| <b>OTHER EXPENSES AND INCOME, NET</b>                 |                    |                  |
| Interest expense                                      | 20,181             | 14,084           |
| Interest income                                       | (1,731)            | (1,883)          |
| Other loss (gain)                                     | 1,336              | (1,908)          |
| Equity in net loss of affiliates                      | 155                | 63               |
| <b>Total other expenses and income, net</b>           | <b>19,941</b>      | <b>10,356</b>    |
| <b>Income before income taxes</b>                     | <b>40,208</b>      | <b>67,495</b>    |
| <b>Income tax expense</b>                             | <b>9,199</b>       | <b>14,675</b>    |
| <b>Net income</b>                                     | <b>\$ 31,009</b>   | <b>\$ 52,820</b> |
| <b>Basic earnings per share</b>                       | <b>\$ 0.63</b>     | <b>\$ 1.02</b>   |
| <b>Diluted earnings per share</b>                     | <b>\$ 0.62</b>     | <b>\$ 1.02</b>   |
| <b>Cash dividends declared per share</b>              | <b>\$ 0.2875</b>   | <b>\$ 0.2875</b> |

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

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

|                                               | Three Months Ended |                  |
|-----------------------------------------------|--------------------|------------------|
|                                               | March 31,          |                  |
|                                               | 2024               | 2023             |
| <b>Net income</b>                             | <b>\$ 31,009</b>   | <b>\$ 52,820</b> |
| Other comprehensive income, net of tax:       |                    |                  |
| Foreign currency translation adjustment       | 454                | 394              |
| <b>Other comprehensive income, net of tax</b> | <b>454</b>         | <b>394</b>       |
| <b>Comprehensive income</b>                   | <b>\$ 31,463</b>   | <b>\$ 53,214</b> |

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

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

|                                                                                                                                                                                                                                     | March 31, 2024      | December 31, 2023   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                                                                                                                                                                                                       |                     |                     |
| Current assets                                                                                                                                                                                                                      |                     |                     |
| Cash and cash equivalents                                                                                                                                                                                                           | \$ 42,111           | \$ 26,754           |
| Accounts receivable (net of allowance for credit losses of \$40,547 and \$39,265, respectively)                                                                                                                                     | 225,173             | 195,896             |
| Income taxes receivable                                                                                                                                                                                                             | 8,559               | 14,283              |
| Notes receivable (net of allowance for credit losses of \$2,643 and \$3,035, respectively)                                                                                                                                          | 22,012              | 20,766              |
| Prepaid expenses and other current assets                                                                                                                                                                                           | 40,646              | 38,831              |
| Total current assets                                                                                                                                                                                                                | 338,501             | 296,530             |
| Property and equipment (net of accumulated depreciation and amortization of \$292,791 and \$280,499, respectively)                                                                                                                  | 517,903             | 493,478             |
| Operating lease right-of-use assets                                                                                                                                                                                                 | 84,869              | 85,101              |
| Goodwill                                                                                                                                                                                                                            | 220,187             | 220,187             |
| Intangible assets (net of accumulated amortization of \$267,311 and \$252,342, respectively)                                                                                                                                        | 821,029             | 811,075             |
| Notes receivable (net of allowance for credit losses of \$6,013 and \$5,581, respectively)                                                                                                                                          | 77,336              | 78,900              |
| Investments in equity securities, at fair value                                                                                                                                                                                     | 109,861             | 116,374             |
| Investments for employee benefit plans, at fair value                                                                                                                                                                               | 43,747              | 39,751              |
| Investments in affiliates                                                                                                                                                                                                           | 78,782              | 70,579              |
| Deferred income taxes                                                                                                                                                                                                               | 90,167              | 89,535              |
| Other assets                                                                                                                                                                                                                        | 92,696              | 93,289              |
| <b>Total assets</b>                                                                                                                                                                                                                 | <b>\$ 2,475,078</b> | <b>\$ 2,394,799</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                                                                                                         |                     |                     |
| Current liabilities                                                                                                                                                                                                                 |                     |                     |
| Accounts payable                                                                                                                                                                                                                    | \$ 135,297          | \$ 131,284          |
| Accrued expenses and other current liabilities                                                                                                                                                                                      | 70,164              | 109,248             |
| Deferred revenue                                                                                                                                                                                                                    | 116,003             | 108,316             |
| Current portion of long-term debt                                                                                                                                                                                                   | 499,471             | 499,268             |
| Liability for guest loyalty programs                                                                                                                                                                                                | 98,577              | 94,574              |
| Total current liabilities                                                                                                                                                                                                           | 919,512             | 942,690             |
| Long-term debt                                                                                                                                                                                                                      | 1,195,730           | 1,068,751           |
| Long-term deferred revenue                                                                                                                                                                                                          | 132,274             | 133,501             |
| Deferred compensation and retirement plan obligations                                                                                                                                                                               | 49,021              | 45,657              |
| Income taxes payable                                                                                                                                                                                                                | 8,601               | 8,601               |
| Operating lease liabilities                                                                                                                                                                                                         | 110,529             | 109,483             |
| Liability for guest loyalty programs                                                                                                                                                                                                | 45,292              | 43,266              |
| Other liabilities                                                                                                                                                                                                                   | 7,392               | 7,252               |
| <b>Total liabilities</b>                                                                                                                                                                                                            | <b>2,468,351</b>    | <b>2,359,201</b>    |
| Commitments and contingencies (Note 12)                                                                                                                                                                                             |                     |                     |
| Common stock, \$0.01 par value; 160,000,000 shares authorized; 95,065,638 shares issued at March 31, 2024 and December 31, 2023; 49,284,204 and 49,526,245 shares outstanding at March 31, 2024 and December 31, 2023, respectively | 951                 | 951                 |
| Additional paid-in-capital                                                                                                                                                                                                          | 335,612             | 330,750             |
| Accumulated other comprehensive loss                                                                                                                                                                                                | (5,217)             | (5,671)             |
| Treasury stock, at cost; 45,781,434 and 45,539,393 shares at March 31, 2024 and December 31, 2023, respectively                                                                                                                     | (2,097,840)         | (2,046,791)         |
| Retained earnings                                                                                                                                                                                                                   | 1,773,221           | 1,756,359           |
| <b>Total shareholders' equity</b>                                                                                                                                                                                                   | <b>6,727</b>        | <b>35,598</b>       |
| <b>Total liabilities and shareholders' equity</b>                                                                                                                                                                                   | <b>\$ 2,475,078</b> | <b>\$ 2,394,799</b> |

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

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

|                                                                                                                          | Three Months Ended |                  |
|--------------------------------------------------------------------------------------------------------------------------|--------------------|------------------|
|                                                                                                                          | March 31,          |                  |
|                                                                                                                          | 2024               | 2023             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                              |                    |                  |
| Net income                                                                                                               | \$ 31,009          | \$ 52,820        |
| Adjustments to reconcile net income to net cash provided by operating activities:                                        |                    |                  |
| Depreciation and amortization                                                                                            | 10,935             | 10,023           |
| Depreciation and amortization – other expenses from franchised and managed properties                                    | 7,028              | 9,276            |
| Franchise agreement acquisition cost amortization                                                                        | 6,185              | 4,637            |
| Non-cash share-based compensation and other charges                                                                      | 10,597             | 10,630           |
| Non-cash interest, investments, and affiliate loss (income), net                                                         | 2,510              | (1,442)          |
| Deferred income taxes                                                                                                    | (736)              | 7,566            |
| Equity in net loss of affiliates, less distributions received                                                            | 1,200              | 421              |
| Franchise agreement acquisition costs, net of reimbursements                                                             | (33,486)           | (28,092)         |
| Change in working capital and other                                                                                      | (33,501)           | (53,806)         |
| <b>Net cash provided by operating activities</b>                                                                         | <b>1,741</b>       | <b>12,033</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                                              |                    |                  |
| Investments in property and equipment                                                                                    | (32,777)           | (19,566)         |
| Investments in intangible assets                                                                                         | (1,439)            | (1,097)          |
| Contributions to investments in affiliates                                                                               | (9,317)            | (3,620)          |
| Proceeds from the sale of affiliates                                                                                     | —                  | 868              |
| Purchases of investments for employee benefit plans                                                                      | (1,633)            | (2,670)          |
| Proceeds from sales of investments for employee benefit plans                                                            | 1,591              | 716              |
| Proceeds from sales of equity securities                                                                                 | 1,230              | —                |
| Issuances of notes receivable                                                                                            | (1,042)            | (3,660)          |
| Collections of notes receivable                                                                                          | 884                | 337              |
| Other items, net                                                                                                         | (233)              | (771)            |
| <b>Net cash used in investing activities</b>                                                                             | <b>(42,736)</b>    | <b>(29,463)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                                              |                    |                  |
| Net borrowings pursuant to revolving credit facilities                                                                   | 126,500            | 176,000          |
| Debt issuance costs                                                                                                      | —                  | (755)            |
| Purchases of treasury stock                                                                                              | (59,459)           | (160,488)        |
| Dividends paid                                                                                                           | (14,728)           | (12,821)         |
| Proceeds from the exercise of stock options                                                                              | 4,160              | 5,504            |
| <b>Net cash provided by financing activities</b>                                                                         | <b>56,473</b>      | <b>7,440</b>     |
| <b>Net change in cash and cash equivalents</b>                                                                           | <b>15,478</b>      | <b>(9,990)</b>   |
| Effect of foreign exchange rate changes on cash and cash equivalents                                                     | (121)              | 103              |
| <b>Cash and cash equivalents, beginning of period</b>                                                                    | <b>26,754</b>      | <b>41,566</b>    |
| <b>Cash and cash equivalents, end of period</b>                                                                          | <b>\$ 42,111</b>   | <b>\$ 31,679</b> |
| <b>Supplemental disclosure of cash flow information:</b>                                                                 |                    |                  |
| <b>Cash payments during the period for</b>                                                                               |                    |                  |
| Income taxes, net of refunds                                                                                             | \$ 2,327           | \$ 1,603         |
| Interest, net of capitalized interest                                                                                    | \$ 19,596          | \$ 13,396        |
| <b>Non-cash investing and financing activities</b>                                                                       |                    |                  |
| Dividends declared but not paid                                                                                          | \$ 14,147          | \$ 14,985        |
| Investments in property, equipment, and intangible assets recognized in accounts payable and accrued expense liabilities | \$ 14,020          | \$ 6,704         |

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

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

|                                             | Common<br>Stock -<br>Shares<br>Outstanding | Common<br>Stock -<br>Par<br>Value | Additional<br>Paid-in-<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Retained<br>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, net of tax      | —                                          | —                                 | —                                 | 394                                                    | —                 | —                    | 394        |
| Share-based payment activity <sup>(1)</sup> | 315,049                                    | —                                 | 1,899                             | —                                                      | 13,497            | —                    | 15,396     |
| Dividends declared (\$0.2875 per share)     | —                                          | —                                 | —                                 | —                                                      | —                 | (14,709)             | (14,709)   |
| Treasury purchases <sup>(2)</sup>           | (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  |

|                                             | Common<br>Stock -<br>Shares<br>Outstanding | Common<br>Stock -<br>Par<br>Value | Additional<br>Paid-in-<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Retained<br>Earnings | Total     |
|---------------------------------------------|--------------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------------------------|-------------------|----------------------|-----------|
| Balance as of December 31, 2023             | 49,526,245                                 | \$ 951                            | \$ 330,750                        | \$ (5,671)                                             | \$ (2,046,791)    | \$ 1,756,359         | \$ 35,598 |
| Net income                                  | —                                          | —                                 | —                                 | —                                                      | —                 | 31,009               | 31,009    |
| Other comprehensive income, net of tax      | —                                          | —                                 | —                                 | 454                                                    | —                 | —                    | 454       |
| Share-based payment activity <sup>(1)</sup> | 252,869                                    | —                                 | 4,862                             | —                                                      | 6,323             | —                    | 11,185    |
| Dividends declared (\$0.2875 per share)     | —                                          | —                                 | —                                 | —                                                      | —                 | (14,147)             | (14,147)  |
| Treasury purchases <sup>(2)</sup>           | (494,910)                                  | —                                 | —                                 | —                                                      | (57,372)          | —                    | (57,372)  |
| Balance as of March 31, 2024                | 49,284,204                                 | \$ 951                            | \$ 335,612                        | \$ (5,217)                                             | \$ (2,097,840)    | \$ 1,773,221         | \$ 6,727  |

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

<sup>(2)</sup> Beginning January 1, 2023, Treasury purchases include a 1% 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.**  
**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 subsidiaries (collectively, "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 the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of 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 prior year amounts in our consolidated financial statements have been reclassified in order to maintain comparability with the current year presentation. Business combination, diligence and transition costs, which were previously presented in selling, general and administrative expenses, are now presented within a standalone financial statement line item in the consolidated statements of income. The reclassification had no effect on the Company's previously reported operating income or net income.

Certain information and footnote disclosures normally included in the consolidated financial statements presented in accordance with GAAP have been omitted. Although the Company believes the disclosures made are adequate to prevent the information presented from being misleading, these consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2023 and the notes thereto included in the Company's Annual Report on Form 10-K, which was filed with the SEC on February 20, 2024. The interim results are not necessarily indicative of the entire year's results.

*Summary of Significant Accounting Policies*

The Company's significant accounting policies are included in the "Significant Accounting Policies" section of Note 1 in the Annual Report on Form 10-K for the year ended December 31, 2023.

*Recently Issued Accounting Standards*

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 requires public entities to disclose significant segment expenses by reportable segment if they are regularly provided to the CODM and included in each reported measure of segment profit or loss on both an annual and an interim basis. ASU 2023-07 is effective for the annual reporting period beginning after December 15, 2023 and the interim periods within the annual reporting period beginning after December 15, 2024. The Company is currently evaluating the potential impact that ASU 2023-07 will have on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 is designed to provide additional information to financial statement users in regards to how an entity's operations, risks, and planning affect its tax rate, opportunities, and future cash flows. ASU 2023-09 is effective for the annual reporting period beginning after December 15, 2024. Based on the Company's assessment, the adoption of this standard is not expected to have an impact on the Company's consolidated financial statements, but it will require enhanced income tax disclosures in the notes to the consolidated financial statements.

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## 2. Revenue

### *Contract Liabilities*

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

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

The following table summarizes the significant changes in the contract liabilities balances during the period from December 31, 2023 to March 31, 2024:

|                                                                  |    |          |
|------------------------------------------------------------------|----|----------|
| (in thousands)                                                   |    |          |
| Balance as of December 31, 2023                                  | \$ | 209,895  |
| Increases to the contract liability balance due to cash received |    | 26,183   |
| Revenue recognized in the period                                 |    | (26,273) |
| Balance as of March 31, 2024                                     | \$ | 209,805  |

### *Remaining Performance Obligations*

The aggregate amount of the transaction price that is allocated to unsatisfied, or partially unsatisfied, performance obligations was \$209.8 million as of March 31, 2024. This amount represents the fixed transaction price that will be recognized as revenue in future periods, which is presented as current and non-current deferred revenue in the consolidated balance sheets.

Based on the 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 the Company recognizes revenue at the amount to which it has the right to invoice for the services performed, or (iii) contracts with an expected original duration of one year or less.

### *Disaggregation of Revenue*

The following table presents the Company's revenues by over time and point in time recognition:

| (in thousands)                                        | Three Months Ended |               |            | Three Months Ended |               |            |
|-------------------------------------------------------|--------------------|---------------|------------|--------------------|---------------|------------|
|                                                       | March 31, 2024     |               |            | March 31, 2023     |               |            |
|                                                       | Over time          | Point in time | Total      | Over time          | Point in time | Total      |
| Royalty, licensing and management fees                | \$ 103,107         | \$ 2,360      | \$ 105,467 | \$ 107,492         | \$ —          | \$ 107,492 |
| Initial franchise fees                                | 6,705              | —             | 6,705      | 7,882              | —             | 7,882      |
| Platform and procurement services fees                | 13,177             | 579           | 13,756     | 13,239             | 604           | 13,843     |
| Owled hotels                                          | 18,081             | 6,910         | 24,991     | 16,893             | 5,439         | 22,332     |
| Other                                                 | 16,357             | —             | 16,357     | 10,627             | —             | 10,627     |
| Other revenues from franchised and managed properties | 148,082            | 16,591        | 164,673    | 155,438            | 15,178        | 170,616    |
| Total revenues                                        | \$ 305,509         | \$ 26,440     | \$ 331,949 | \$ 311,571         | \$ 21,221     | \$ 332,792 |

The owned hotels revenues that are recognized at a point in time represent the goods and services that are purchased independently of the hotel stay, such as food and beverage, incidentals, and parking fees. The remaining revenues that are recognized at a point in time represent the loyalty points that are redeemed by members for benefits (with both franchisees and third-party partners), net of the cost of redemptions. For the three months ended March 31, 2024 and 2023, the loyalty net revenues, inclusive of adjustments to the estimated redemption rates, were \$19.5 million and \$15.8 million, respectively.

As presented in Note 11, the Corporate & Other segment revenue amounts were \$35.1 million and \$26.1 million for the three months ended March 31, 2024 and 2023, respectively, which are presented in other revenues and owned hotels revenues in the consolidated statements of income. 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 \$2.5 million and \$2.3 million for the three months ended March 31, 2024 and 2023, respectively.

## 3. Receivables and Allowance for Credit Losses

### *Notes Receivable*

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

The following table summarizes the composition of the notes receivable balances by credit quality indicator and the allowance for credit losses:

| (in thousands)                                             | March 31, 2024 | December 31, 2023 |
|------------------------------------------------------------|----------------|-------------------|
| Senior                                                     | \$ 87,055      | \$ 85,919         |
| Subordinated                                               | 16,339         | 17,004            |
| Unsecured                                                  | 4,610          | 5,359             |
| Total notes receivable                                     | \$ 108,004     | \$ 108,282        |
| Less: allowance for credit losses                          | 8,656          | 8,616             |
| Total notes receivable, net of allowance for credit losses | \$ 99,348      | \$ 99,666         |
| Current portion, net of allowance for credit losses        | \$ 22,012      | \$ 20,766         |

Long-term portion, net of allowance for credit losses

\$ 77,336 \$ 78,900

The following table summarizes the amortized cost basis of the notes receivable by the year of origination and credit quality indicator:

| (in thousands)         | 2024          | 2023            | 2022          | 2021            | 2020          | Prior             | Total             |
|------------------------|---------------|-----------------|---------------|-----------------|---------------|-------------------|-------------------|
| Senior                 | \$ 945        | \$ —            | \$ —          | \$ —            | \$ —          | \$ 86,110         | \$ 87,055         |
| Subordinated           | —             | 3,497           | —             | —               | —             | 12,842            | 16,339            |
| Unsecured              | —             | —               | 194           | 1,291           | 856           | 2,269             | 4,610             |
| Total notes receivable | <u>\$ 945</u> | <u>\$ 3,497</u> | <u>\$ 194</u> | <u>\$ 1,291</u> | <u>\$ 856</u> | <u>\$ 101,221</u> | <u>\$ 108,004</u> |

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

| (in thousands)              | March 31, 2024  | December 31, 2023 |
|-----------------------------|-----------------|-------------------|
| Beginning balance           | \$ 8,616        | \$ 10,172         |
| Provision for credit losses | 690             | 763               |
| Recoveries                  | (650)           | (2,319)           |
| Ending balance              | <u>\$ 8,656</u> | <u>\$ 8,616</u>   |

As of March 31, 2024 and December 31, 2023, two and one note receivable loans, respectively, with senior credit quality indicators met the definition of collateral-dependent and are collateralized by the membership interests in the borrowing entities and either the associated land parcel or the operating hotel. The Company used a discounted cash flow income approach or a market approach using 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 3 in the fair value measurement hierarchy because they are unobservable inputs which are significant to the overall fair value. Based on the Company's analysis, the fair value of the collateral secures substantially all of the carrying value of the respective note receivable loan. The allowance for credit losses attributable to the collateral-dependent note receivable loans was \$3.2 million and \$2.2 million as of March 31, 2024 and December 31, 2023, respectively.

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During the three months ended March 31, 2024 and during the year ended December 31, 2023, the recoveries were primarily associated with cash collections pursuant to a settlement agreement with a borrower.

The following table summarizes the past due balances by credit quality indicator of the notes receivable:

| (in thousands)                 | 1- 30 days<br>Past Due | 31-89 days<br>Past Due | > 90 days<br>Past Due | Total<br>Past Due | Current          | Total<br>Notes Receivable |
|--------------------------------|------------------------|------------------------|-----------------------|-------------------|------------------|---------------------------|
| <b>As of March 31, 2024</b>    |                        |                        |                       |                   |                  |                           |
| Senior                         | \$ —                   | \$ —                   | \$ 15,200             | \$ 15,200         | \$ 71,855        | \$ 87,055                 |
| Subordinated                   | —                      | —                      | 2,936                 | 2,936             | 13,403           | 16,339                    |
| Unsecured                      | —                      | —                      | 400                   | 400               | 4,210            | 4,610                     |
|                                | <u>\$ —</u>            | <u>\$ —</u>            | <u>\$ 18,536</u>      | <u>\$ 18,536</u>  | <u>\$ 89,468</u> | <u>\$ 108,004</u>         |
| <b>As of December 31, 2023</b> |                        |                        |                       |                   |                  |                           |
| Senior                         | \$ —                   | \$ —                   | \$ 15,200             | \$ 15,200         | \$ 70,719        | \$ 85,919                 |
| Subordinated                   | —                      | 2,936                  | —                     | 2,936             | 14,068           | 17,004                    |
| Unsecured                      | —                      | —                      | 400                   | 400               | 4,959            | 5,359                     |
|                                | <u>\$ —</u>            | <u>\$ 2,936</u>        | <u>\$ 15,600</u>      | <u>\$ 18,536</u>  | <u>\$ 89,746</u> | <u>\$ 108,282</u>         |

The amortized cost basis of the notes receivable in a non-accrual status was \$31.1 million and \$15.9 million as of March 31, 2024 and December 31, 2023, respectively.

### *Variable Interest through Notes Receivable*

The Company has issued notes receivable loans to certain entities that have created variable interests in the associated borrowers totaling \$94.8 million and \$95.1 million as of March 31, 2024 and December 31, 2023, respectively. The Company has determined that it is not the primary beneficiary of these variable interest entities ("VIEs"). For collateral-dependent loans, the Company has no exposure to the borrowing VIE beyond the respective note receivable and the limited commitments which are addressed in Note 12.

### Accounts Receivable

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

During the three months ended March 31, 2024, the Company recognized provisions for credit losses on accounts receivable of \$1.1 million in selling, general and administrative expenses, and \$1.6 million in other expenses from franchised and managed properties, in the consolidated statements of income. During the three months ended March 31, 2023, the Company recognized provisions for credit losses on accounts receivable of \$1.8 million in selling, general and administrative expenses, and \$2.1 million in other expenses from franchised and managed properties, in the consolidated statements of income. During the three months ended March 31, 2024 and 2023, the Company recorded write-offs, net of recoveries, through the accounts receivable allowance for credit losses of \$1.5 million and \$2.8 million, respectively.

## **4. Investments in Affiliates**

The Company has equity method investments in affiliates primarily 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.

As of March 31, 2024 and December 31, 2023, the Company had total investments in affiliates in the consolidated balance sheets of \$78.8 million and \$70.6 million, respectively, which included investments in affiliates that represent VIEs of \$67.8 million and \$59.4 million, respectively. The Company has determined that it is not the primary beneficiary of any of these VIEs, however the Company does exercise significant influence through its equity ownership and as a result, the investments in these affiliates are accounted for under the equity method of accounting. During the three months ended March 31, 2024 and 2023, the Company recognized losses totaling \$1.2 million and \$1.4 million, respectively, from these investments that represent VIEs. The Company's maximum exposure to losses related to its investments in the VIEs is limited to the total of its respective equity investment as well as certain limited payment guaranties, which are described in Note 12 to these consolidated financial statements.

During the three months ended March 31, 2024 and 2023, the Company recognized no impairment charges related to its equity method investments.

## 5. Debt

Debt consisted of the following:

|                                                                                                                                                                                                                                                             | March 31, 2024      | December 31, 2023   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                                                                                                                                                                             | (in thousands)      |                     |
| \$500 million unsecured term loan due 2024 ("2023 Term Loan") with an effective interest rate of 6.79%, less a discount and deferred issuance costs of \$0.5 million and \$0.7 million at March 31, 2024 and December 31, 2023, respectively <sup>(1)</sup> | \$ 499,471          | \$ 499,268          |
| \$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 \$4.2 million and \$4.3 million at March 31, 2024 and December 31, 2023, respectively          | 445,842             | 445,690             |
| \$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 \$3.4 million and \$3.6 million at March 31, 2024 and December 31, 2023, respectively          | 396,590             | 396,440             |
| \$850 million senior unsecured revolving credit facility with an effective interest rate of 6.48%, less deferred issuance costs of \$1.7 million and \$1.9 million at March 31, 2024 and December 31, 2023, respectively                                    | 353,298             | 226,621             |
| <b>Total debt</b>                                                                                                                                                                                                                                           | <b>\$ 1,695,201</b> | <b>\$ 1,568,019</b> |
| Less: current portion <sup>(1)</sup>                                                                                                                                                                                                                        | 499,471             | 499,268             |
| <b>Long-term debt</b>                                                                                                                                                                                                                                       | <b>\$ 1,195,730</b> | <b>\$ 1,068,751</b> |

<sup>(1)</sup> The 2023 Term Loan has a maturity date of December 16, 2024. The maturity date may be extended for a one-year term at the Company's option, subject to the consent of the lenders and certain customary conditions.

Refer to Note 12 and the Liquidity and Capital Resources section 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 three months ended March 31, 2024 and 2023 were as follows:

|                                                    |                   |
|----------------------------------------------------|-------------------|
| (in thousands)                                     |                   |
| Balance as of December 31, 2023                    | \$ (5,671)        |
| Other comprehensive income before reclassification | 454               |
| <b>Balance as of March 31, 2024</b>                | <b>\$ (5,217)</b> |
| (in thousands)                                     |                   |
| Balance as of December 31, 2022                    | \$ (5,211)        |
| Other comprehensive income before reclassification | 394               |
| <b>Balance as of March 31, 2023</b>                | <b>\$ (4,817)</b> |

Other comprehensive income, net of tax, for both the three months ended March 31, 2024 and 2023 relates entirely 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 equity securities and mutual funds held in the Company's 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 on a recurring basis whose fair value was determined using Level 3 inputs and there were no transfers of Level 3 assets during the three months ended March 31, 2024 and during the year ended December 31, 2023.

The Company recognized the following assets at fair value on a recurring basis in the consolidated balance sheets:

| (in thousands)                    | Fair Value Measurements at Reporting Date Using |                   |                 |             |
|-----------------------------------|-------------------------------------------------|-------------------|-----------------|-------------|
|                                   | Total                                           | Level 1           | Level 2         | Level 3     |
| <b>As of March 31, 2024</b>       |                                                 |                   |                 |             |
| Equity securities                 | \$ 109,861                                      | \$ 109,861        | \$ —            | \$ —        |
| Mutual funds <sup>(1)</sup>       | 40,413                                          | 40,413            | —               | —           |
| Money market funds <sup>(1)</sup> | 4,653                                           | —                 | 4,653           | —           |
| <b>Total</b>                      | <b>\$ 154,927</b>                               | <b>\$ 150,274</b> | <b>\$ 4,653</b> | <b>\$ —</b> |
| <b>As of December 31, 2023</b>    |                                                 |                   |                 |             |
| Equity securities                 | \$ 116,374                                      | \$ 116,374        | \$ —            | \$ —        |
| Mutual funds <sup>(1)</sup>       | 36,810                                          | 36,810            | —               | —           |
| Money market funds <sup>(1)</sup> | 4,767                                           | —                 | 4,767           | —           |
| <b>Total</b>                      | <b>\$ 157,951</b>                               | <b>\$ 153,184</b> | <b>\$ 4,767</b> | <b>\$ —</b> |

<sup>(1)</sup> The current assets at fair value noted above are presented in prepaid expenses and other current assets in the consolidated balance sheets. The long-term assets at fair value noted above are presented in investments for employee benefit plans, at fair value in the consolidated balance sheets.

## Investments in Equity Securities

The following table is a summary of the unrealized gains and losses of the investments in equity securities:

| (in thousands)    | As of March 31, 2024 |                        |                         |                      | As of December 31, 2023 |                        |                         |                      |
|-------------------|----------------------|------------------------|-------------------------|----------------------|-------------------------|------------------------|-------------------------|----------------------|
|                   | Cost                 | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Cost                    | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Equity securities | \$ 111,190           | \$ —                   | \$ (1,329)              | \$ 109,861           | \$ 112,420              | \$ 3,954               | \$ —                    | \$ 116,374           |

## 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 rate on the senior unsecured revolving credit facility and the 2023 Term Loan adjusts frequently based on current market interest rates; therefore, the Company believes the carrying amount approximates the fair value.

The fair values of the Company's senior unsecured notes are classified as Level 2 because the significant inputs are observable in an active market. Refer to Note 5 for additional information on debt. As of March 31, 2024 and December 31, 2023, the carrying amounts and the fair values were as follows:

| (in thousands)    | March 31, 2024  |            | December 31, 2023 |            |
|-------------------|-----------------|------------|-------------------|------------|
|                   | Carrying Amount | Fair Value | Carrying Amount   | Fair Value |
| 2020 Senior Notes | \$ 445,842      | \$ 395,127 | \$ 445,690        | \$ 389,241 |
| 2019 Senior Notes | \$ 396,590      | \$ 358,660 | \$ 396,440        | \$ 355,068 |

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

## 8. Income Taxes

The Company's effective income tax rates were 22.9% and 21.7% for the three months ended March 31, 2024 and 2023, respectively. The effective income tax rates 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

The components of the Company's share-based compensation expense were as follows:

| (in thousands)                            | Three Months Ended March 31, |          |
|-------------------------------------------|------------------------------|----------|
|                                           | 2024                         | 2023     |
| Stock options                             | \$ 1,346                     | \$ 1,388 |
| Restricted stock                          | 3,477                        | 3,699    |
| Performance vested restricted stock units | 4,271                        | 4,684    |
| Total share-based compensation expense    | \$ 9,094                     | \$ 9,771 |

A summary of the share-based award activity during the three months ended March 31, 2024 is presented below:

|                                             | Stock Options |                                 |                                             | Restricted Stock |                                        | Performance Vested Restricted Stock Units |                                        |
|---------------------------------------------|---------------|---------------------------------|---------------------------------------------|------------------|----------------------------------------|-------------------------------------------|----------------------------------------|
|                                             | Options       | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Shares           | Weighted Average Grant Date Fair Value | Shares                                    | Weighted Average Grant Date Fair Value |
| Outstanding as of January 1, 2024           | 943,641       | \$ 102.90                       |                                             | 361,668          | \$ 136.05                              | 458,495                                   | \$ 136.14                              |
| Granted                                     | 78,988        | 111.94                          |                                             | 49,333           | 111.94                                 | 143,312                                   | 111.94                                 |
| Performance-based leveraging <sup>(1)</sup> | —             | —                               |                                             | —                | —                                      | —                                         | —                                      |
| Exercised/vested                            | (87,240)      | 71.74                           |                                             | (37,307)         | 105.52                                 | (146,675)                                 | 107.54                                 |
| Expired                                     | —             | —                               |                                             | —                | —                                      | —                                         | —                                      |
| Forfeited                                   | (440)         | 123.71                          |                                             | (2,433)          | 119.50                                 | (10,940)                                  | 115.62                                 |
| Outstanding as of March 31, 2024            | 934,949       | \$ 106.56                       | 6.2 years                                   | 371,261          | \$ 135.99                              | 444,192                                   | \$ 138.29                              |
| Options exercisable as of March 31, 2024    | 639,175       | \$ 99.47                        | 5.2 years                                   |                  |                                        |                                           |                                        |

<sup>(1)</sup> During the three months ended March 31, 2024, there were no revisions to the outstanding PVRsUs as a result of a change in the Company's targeted performance conditions.

The fair value of the restricted stock and the PVRsUs with performance conditions that were granted during the three months ended March 31, 2024 was equal to the market price of the Company's common stock on the date of the grant. The fair value of the PVRsUs with market conditions that are 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 date of the grant. The requisite service periods for the restricted stock and the PVRsUs was between 9 months and 48 months. The PVRsUs have vesting ranges generally between 0% and 230% of the initial units granted.

The stock options granted by the Company had an exercise price that is equal to the market price of the Company's common stock on the date of grant. The fair value of the stock options granted during the three months ended March 31, 2024 was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

|                                                                             |          |
|-----------------------------------------------------------------------------|----------|
| Risk-free interest rate                                                     | 4.27 %   |
| Expected volatility                                                         | 31.34 %  |
| Expected life of the stock option                                           | 6 years  |
| Dividend yield                                                              | 1.03 %   |
| Requisite service period                                                    | 4 years  |
| Contractual life                                                            | 10 years |
| Weighted average fair value of the stock options granted (per stock option) | \$ 38.85 |

## 10. Earnings Per Share

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

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The computation of basic and diluted earnings per share was as follows:

| (in thousands, except per share amounts)                      | Three Months Ended |                |
|---------------------------------------------------------------|--------------------|----------------|
|                                                               | March 31,          |                |
|                                                               | 2024               | 2023           |
| <b>Numerator:</b>                                             |                    |                |
| Net income                                                    | \$ 31,009          | \$ 52,820      |
| Income allocated to participating securities                  | (158)              | (272)          |
| Net income available to common shareholders                   | \$ 30,851          | \$ 52,548      |
| <b>Denominator:</b>                                           |                    |                |
| Weighted average shares of common stock outstanding – basic   | 49,302             | 51,269         |
| <b>Basic earnings per share</b>                               | <b>\$ 0.63</b>     | <b>\$ 1.02</b> |
| <b>Numerator:</b>                                             |                    |                |
| Net income                                                    | \$ 31,009          | \$ 52,820      |
| Income allocated to participating securities                  | (158)              | (272)          |
| Net income available to common shareholders                   | \$ 30,851          | \$ 52,548      |
| <b>Denominator:</b>                                           |                    |                |
| Weighted average shares of common stock outstanding – basic   | 49,302             | 51,269         |
| Dilutive effect of stock options, PVRsUs, and RSUs            | 338                | 445            |
| Weighted average shares of common stock outstanding – diluted | 49,640             | 51,714         |
| <b>Diluted earnings per share</b>                             | <b>\$ 0.62</b>     | <b>\$ 1.02</b> |

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

| (in thousands) | Three Months Ended |      |
|----------------|--------------------|------|
|                | March 31,          |      |
|                | 2024               | 2023 |
| Stock options  | 231                | 240  |
| PVRsUs         | 49                 | —    |

## 11. Reportable Segments

The Hotel Franchising & Management reportable segment includes the Company's hotel franchising operations, which consists of its 22 brands and brand extensions and the hotel management operations of 13 hotels (inclusive of four owned hotels). The 22 brands and brand extensions and hotel management operations are aggregated together within this reportable segment because they have similar economic characteristics, types of customers, distribution channels, and regulatory business environments. The revenues from the hotel franchising and management business include royalty fees, initial franchise fees and relicensing fees, cost reimbursement revenues, platform and procurement services fees revenue, base and incentive management fees, and other hotel franchising and management-related revenue. The Company provides certain services under its franchise and management agreements which result in direct and indirect reimbursements. The cost reimbursement revenues received from the franchisees are included in Hotel Franchising & Management revenues and are offset by the related expenses in order to calculate Hotel Franchising & Management operating income. The equity in the earnings or losses from the hotel franchising-related investment in affiliates is allocated to the 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, and other gains and losses, all of which are included in the Corporate & Other column in the tables presented below. The Corporate & Other column also reflects the operations of the Company's owned hotels.

Intersegment Eliminations to revenues is the elimination of Hotel Franchising & Management revenue which includes royalty fees, management and cost reimbursement fees charged to our owned hotels against the franchise and management fee expense that is 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 the performance or when making operating segment resource allocation 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 March 31, 2024 |                   |                           |              | Three Months Ended March 31, 2023 |                   |                           |              |
|-----------------------------------|-----------------------------------|-------------------|---------------------------|--------------|-----------------------------------|-------------------|---------------------------|--------------|
|                                   | Hotel Franchising & Management    | Corporate & Other | Intersegment Eliminations | Consolidated | Hotel Franchising & Management    | Corporate & Other | Intersegment Eliminations | Consolidated |
| Revenues                          | \$ 299,359                        | \$ 35,137         | \$ (2,547)                | \$ 331,949   | \$ 309,047                        | \$ 26,064         | \$ (2,319)                | \$ 332,792   |
| Operating income (loss)           | \$ 94,848                         | \$ (34,699)       | \$ —                      | \$ 60,149    | \$ 105,491                        | \$ (27,640)       | \$ —                      | \$ 77,851    |
| Income (loss) before income taxes | \$ 94,693                         | \$ (54,485)       | \$ —                      | \$ 40,208    | \$ 105,428                        | \$ (37,933)       | \$ —                      | \$ 67,495    |

## 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 current legal proceedings, individually or in the aggregate, 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 in order to support their efforts to develop and own hotels that are 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 March 31, 2024, the maximum unrecorded exposure of the principal associated with these limited payment guaranties is \$8.8 million, plus unpaid expenses and accrued but unpaid interest. The Company believes the likelihood of having to perform under these guaranties is remote. In the event of performance, the Company has recourse for certain of the guaranties in the form of partial guaranties from third parties.

### Commitments

The Company has the following outstanding commitments as of March 31, 2024:

- As part of the acquisition of Radisson Hotels Americas in August 2022, 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. As of March 31, 2024, the Company managed seven hotels pursuant to the long-term management arrangement. 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 that is 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 recognized as of March 31, 2024 in the consolidated balance sheets.
- The Company strategically deploys capital in the form of franchise agreement acquisition cost payments across our brands to incentivize franchise development. These payments are typically made at the commencement of construction or the hotel's opening, in accordance with agreed upon provisions in the individual franchise agreements. The timing and the amount of the franchise agreement acquisition cost payments 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.
- The Company committed to provide financing in the form of loans or credit facilities to franchisees for Choice brand development efforts. As of March 31, 2024, the Company had remaining commitments of up to \$9.0 million, if certain conditions are met.
- The Company's franchise agreements require the payment of franchise fees, which include marketing and reservation system fees. In accordance with the terms of our franchise agreements, the Company is obligated to use the marketing and reservation system revenues it collects from the current franchisees to provide marketing and reservation services that are appropriate to support the operation of the overall system. To the extent the revenues collected exceed the expenditures incurred, the Company has a commitment to the franchisee system to make expenditures in future years.

Conversely, to the extent the expenditures incurred exceed the revenues collected, the Company has the contractual enforceable right to assess and collect such amounts from the franchisees.

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 the 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 the future payments that could be made under these indemnifications as the triggering events are not subject to predictability. With respect to certain of the aforementioned indemnities, such as the indemnifications of the landlords against third-party claims for the use of real estate property leased by the Company, the Company maintains insurance coverage that mitigates any potential liability.

### **13. Transactions with Unconsolidated Affiliates**

The Company has extended loans to various unconsolidated affiliates or members of our unconsolidated affiliates. The Company has a total principal balance on these loans of \$66.8 million and \$64.5 million as of March 31, 2024 and December 31, 2023, respectively. These loans mature at various dates and bear interest at fixed and variable rates.

The Company has management fee arrangements with certain of its unconsolidated affiliates. The fees earned and the payroll costs reimbursed under these arrangements totaled \$1.6 million and \$0.7 million for the three months ended March 31, 2024 and 2023, respectively.

The Company has entered into franchise agreements with certain of its unconsolidated affiliates. Pursuant to these franchise agreements, the Company recognized royalty fees and marketing and reservation system fees of approximately \$6.3 million and \$5.8 million for the three months ended March 31, 2024 and 2023, respectively. The Company has \$6.7 million and \$4.9 million of gross accounts receivables in the consolidated balance sheets from these unconsolidated affiliates as of March 31, 2024 and December 31, 2023, respectively.

## 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 the results of operations of Choice Hotels International, Inc. and its subsidiaries (collectively, "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 45 countries and territories. As of March 31, 2024, we had 7,488 hotels with 630,128 rooms open and operating, and 1,012 hotels with 115,481 rooms under construction, awaiting conversion or approved for development, or committed to future franchise development on outstanding master development agreements (collectively, "pipeline") in our global system. Our brand names include Radisson Blu®, Park Plaza®, Cambria® Hotels, Ascend Hotel Collection®, Radisson RED®, Radisson Individuals®, Radisson®, Radisson Collection®, Clarion®, Clarion Pointe™, Comfort Inn®, Comfort Suites®, Country Inn & Suites® by Radisson, Radisson Inn & Suites<sup>SM</sup>, Sleep Inn®, Quality®, Park Inn by Radisson®, Everhome Suites®, WoodSpring Suites®, MainStay Suites®, Suburban Studios™, Econo Lodge®, and Rodeway Inn®.

The hotel franchising business represents the Company's primary operations. The Company's domestic operations are conducted through direct franchising relationships, the ownership of ten open and operating hotels, and the management of 13 hotels (inclusive of four 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 our 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 and hotels, hotel ownership, and other ancillary sources. Historically, the hotel industry has been seasonal in nature. For most hotels, demand is typically lower in November through February than during the remainder of the year. Our principal source of revenue is franchise fees, which is based on the gross room revenues or the number of rooms at 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 of the year.

Because our primary focus is 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 our operating results by increasing the number of franchised hotel rooms and the effective royalty rates in our franchise contracts resulting in increased initial franchise fees, ongoing royalty and licensing fees, and platform and procurement services fees. 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 products and services that appeal to our guests.

The primary 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 in 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 hotel 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 ("ADR") realized. Our variable overhead costs associated with the franchise system growth of our established brands have historically been less than the incremental royalty fees generated from new franchises. Accordingly, over the long-term, the continued growth of our franchise business should enable us to realize the benefits from the operating leverage in place and improve our operating results.

We are required by our franchise agreements to use the marketing and reservation system fees we collect for system-wide marketing and reservation system activities. These expenditures, which include advertising costs and the 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 promote long-term growth in business delivery to our franchisees and increases the

desirability of our brands to hotel owners and developers, which ultimately increases the franchise fees earned by the Company. Additionally, the Company's management agreements include cost reimbursements, which is primarily related to payroll costs at the managed hotels where the Company is the employer.

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 their hotels and reducing hotel operating costs.

We believe that executing on 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 the size of our system 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, and qualified vendor relationships and partnerships with companies that provide products and 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 different 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.

*Maximizing Financial Returns and Creating Value for Shareholders* - Our capital allocation decisions, including our capital structure and the 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 section in MD&A for more information regarding our capital returns to shareholders.

In addition to our hotel franchising business, we have also developed or acquired ten 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 the growth of these brands. We do not anticipate owning hotels on a permanent basis and we expect to target dispositions to a franchisee encumbered with a long-term Choice franchise agreement in the future.

A key component of our strategy for owned hotels is to maximize revenues and manage costs. We strive to optimize revenues by focusing on revenue management, increasing guest loyalty, expanding brand awareness with targeted customer groupings, and providing superior guest service. Other than four owned hotels, we currently do not manage our owned hotels but utilize the services of third-party hotel management companies that provide their own employees. We manage costs by setting performance goals for our hotel management companies and optimizing distribution channels.

The Company also allocates capital to financing, investment and guaranty support to incentivize franchise development for certain brands in strategic markets. 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, licensing and management fees, operating income, net income, and diluted earnings per share represent the key measures of our financial performance. These measures 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 the potential growth of the hotel franchise system as well as our variable overhead costs.

Our discussion of our results of operations excludes reimbursable franchise marketing and reservation system revenues and expenses and the management agreement cost reimbursements and expenses included in the Company's other revenues from franchised and managed properties and other expenses from franchised and managed properties. The Company's franchise

agreements require the payment of marketing and reservation system fees to be used by the Company for the 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 reservation system fees it collects from its franchisees in accordance with the franchise agreements. Furthermore, the franchisees are required to reimburse the Company for any deficits generated by these marketing and reservation system activities. Over time, the Company expects the cumulative revenues and expenses of reimbursable components to break even and, therefore, no income or loss will be generated from the reimbursable marketing and reservation system activities. Additionally, the Company's management agreements include cost reimbursements, which is primarily related to payroll costs at the managed hotels where the Company is the employer. As a result, the Company generally excludes the other revenues and other 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 March 31, 2024, other expenses from franchised and managed properties exceeded other revenues from franchised and managed properties by \$12.4 million. During the three months ended March 31, 2023, other revenues from franchised and managed properties exceeded other expenses from franchised and managed properties by \$2.1 million.

Refer to the Operations Review section in MD&A for additional analysis of our results of operations.

*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 on hand, available borrowing capacity under the senior unsecured revolving credit facility, cash flows from operations, and access to additional capital in the debt markets is sufficient to meet the expected future operating, investing, and financing needs of the business. Refer to the Liquidity and Capital Resources section in 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 continue to monitor future inflation trends along with the corresponding impacts to our business.

### **Wyndham Proposal**

As previously disclosed, the Company publicly announced the expiration of the exchange offer to acquire all of the outstanding shares of Wyndham Hotels & Resorts, Inc. ("Wyndham") at a price of \$90.00 per share, payable in a mix of cash and stock. The exchange offer expired on March 8, 2024. The Company instructed the exchange agent to return all tendered shares of Wyndham stock to the tendering stockholders. In addition, the Company announced the withdrawal of its nomination of director candidates for election at Wyndham's 2024 Annual Meeting of Stockholders.

## Operations Review

The summarized financial results were as follows:

| (in thousands)                                        | Three Months Ended |                  |
|-------------------------------------------------------|--------------------|------------------|
|                                                       | March 31,          |                  |
|                                                       | 2024               | 2023             |
| <b>REVENUES</b>                                       |                    |                  |
| Royalty, licensing and management fees                | \$ 105,467         | \$ 107,492       |
| Initial franchise fees                                | 6,705              | 7,882            |
| Platform and procurement services fees                | 13,756             | 13,843           |
| Owned hotels                                          | 24,991             | 22,332           |
| Other                                                 | 16,357             | 10,627           |
| Other revenues from franchised and managed properties | 164,673            | 170,616          |
| <b>Total revenues</b>                                 | <b>331,949</b>     | <b>332,792</b>   |
| <b>OPERATING EXPENSES</b>                             |                    |                  |
| Selling, general and administrative                   | 48,625             | 48,921           |
| Business combination, diligence and transition costs  | 15,844             | 10,362           |
| Depreciation and amortization                         | 10,935             | 10,023           |
| Owned hotels                                          | 19,323             | 17,146           |
| Other expenses from franchised and managed properties | 177,073            | 168,489          |
| <b>Total operating expenses</b>                       | <b>271,800</b>     | <b>254,941</b>   |
| <b>Operating income</b>                               | <b>60,149</b>      | <b>77,851</b>    |
| <b>OTHER EXPENSES AND INCOME, NET</b>                 |                    |                  |
| Interest expense                                      | 20,181             | 14,084           |
| Interest income                                       | (1,731)            | (1,883)          |
| Other loss (gain)                                     | 1,336              | (1,908)          |
| Equity in net loss of affiliates                      | 155                | 63               |
| <b>Total other expenses and income, net</b>           | <b>19,941</b>      | <b>10,356</b>    |
| <b>Income before income taxes</b>                     | <b>40,208</b>      | <b>67,495</b>    |
| <b>Income tax expense</b>                             | <b>9,199</b>       | <b>14,675</b>    |
| <b>Net income</b>                                     | <b>\$ 31,009</b>   | <b>\$ 52,820</b> |

### Results of Operations

For the three months ended March 31, 2024, the Company recognized income before income taxes of \$40.2 million, which is a \$27.3 million decrease from the same period in the prior year. The decrease in income before income taxes is primarily due to a \$17.7 million decrease in operating income and a \$6.1 million increase in interest expense.

Operating income decreased \$17.7 million primarily due to a \$14.5 million decrease in the net activity generated from other revenues from franchised and managed properties and other expenses from franchised and managed properties and a \$5.4 million increase in business combination, diligence and transition costs, partially offset by a \$5.8 million increase in other revenues.

The primary reasons for these fluctuations are described in more detail below.

#### Royalty, Licensing and Management fees

Domestic royalty fees decreased \$5.2 million to \$92.9 million for the three months ended March 31, 2024 from \$98.2 million for the three months ended March 31, 2023. The decrease in domestic royalty fees is primarily due to a 5.9% domestic system-wide RevPAR decrease as a result of a 2.1% decrease in average daily rates and a 200 basis points decrease in occupancy during the current period, all of which was partially offset by a system-wide 4 basis points increase in the effective royalty rate from 4.99% for the three months ended March 31, 2023 to 5.03% for the three months ended March 31, 2024.

A summary of the operating performance for the Company's domestic franchised hotels, organized by chain scale, was as follows:

|                                          | Three Months Ended |               |                 | Three Months Ended |               |                 | Change             |                  |               |
|------------------------------------------|--------------------|---------------|-----------------|--------------------|---------------|-----------------|--------------------|------------------|---------------|
|                                          | March 31, 2024     |               |                 | March 31, 2023     |               |                 | Average Daily Rate | Occupancy        | RevPAR        |
|                                          | Average Daily Rate | Occupancy     | RevPAR          | Average Daily Rate | Occupancy     | RevPAR          |                    |                  |               |
| Upscale & Above <sup>(1)</sup>           | \$ 142.90          | 51.0 %        | \$ 72.93        | \$ 139.70          | 51.5 %        | \$ 71.99        | 2.3 %              | (50) bps         | 1.3 %         |
| Midscale & Upper Midscale <sup>(2)</sup> | 93.13              | 49.6 %        | 46.19           | 95.15              | 52.2 %        | 49.66           | (2.1)%             | (260) bps        | (7.0)%        |
| Extended Stay <sup>(3)</sup>             | 60.48              | 69.4 %        | 41.97           | 62.79              | 71.3 %        | 44.74           | (3.7)%             | (190) bps        | (6.2)%        |
| Economy <sup>(4)</sup>                   | 66.64              | 42.9 %        | 28.59           | 67.71              | 44.8 %        | 30.34           | (1.6)%             | (190) bps        | (5.8)%        |
| <b>Total</b>                             | <b>\$ 89.23</b>    | <b>50.7 %</b> | <b>\$ 45.24</b> | <b>\$ 91.18</b>    | <b>52.7 %</b> | <b>\$ 48.06</b> | <b>(2.1)%</b>      | <b>(200) bps</b> | <b>(5.9)%</b> |

<sup>(1)</sup> Includes Ascend Hotel Collection, Cambria, Radisson, Radisson Blu, Radisson Individuals, and Radisson RED brands.

<sup>(2)</sup> Includes Clarion, Comfort Inn, Country Inn & Suites, Park Inn, Park Plaza, Quality, and Sleep Inn brands.

<sup>(3)</sup> Includes Everhome Suites, Mainstay Suites, Suburban Studios, and WoodSpring Suites brands.

<sup>(4)</sup> Includes Econo Lodge and Rodeway brands.

A summary of the domestic hotels and rooms by brand in our franchise system as of March 31, 2024 and 2023 was as follows:

|                                  | March 31, 2024 |                | March 31, 2023 |                | Variance |              |            |            |
|----------------------------------|----------------|----------------|----------------|----------------|----------|--------------|------------|------------|
|                                  | Hotels         | Rooms          | Hotels         | Rooms          | Hotels   | %            | Rooms      | %          |
| Ascend Hotel Collection          | 202            | 22,833         | 210            | 23,552         | (8)      | (3.8)%       | (719)      | (3.1)%     |
| Cambria Hotels                   | 73             | 10,094         | 66             | 9,000          | 7        | 10.6 %       | 1,094      | 12.2 %     |
| Radisson <sup>(1)</sup>          | 60             | 14,154         | 68             | 15,887         | (8)      | (11.8)%      | (1,733)    | (10.9)%    |
| Comfort <sup>(2)</sup>           | 1,672          | 131,285        | 1,657          | 130,116        | 15       | 0.9 %        | 1,169      | 0.9 %      |
| Quality Inn                      | 1,622          | 119,219        | 1,624          | 120,268        | (2)      | (0.1)%       | (1,049)    | (0.9)%     |
| Country                          | 426            | 33,990         | 432            | 34,494         | (6)      | (1.4)%       | (504)      | (1.5)%     |
| Sleep Inn                        | 424            | 29,775         | 431            | 30,427         | (7)      | (1.6)%       | (652)      | (2.1)%     |
| Clarion <sup>(3)</sup>           | 183            | 19,561         | 184            | 20,137         | (1)      | (0.5)%       | (576)      | (2.9)%     |
| Park Inn                         | 4              | 363            | 4              | 363            | —        | — %          | —          | — %        |
| WoodSpring Suites                | 240            | 28,960         | 214            | 25,834         | 26       | 12.1 %       | 3,126      | 12.1 %     |
| MainStay Suites                  | 127            | 8,918          | 117            | 8,006          | 10       | 8.5 %        | 912        | 11.4 %     |
| Suburban Studios                 | 108            | 9,226          | 75             | 6,700          | 33       | 44.0 %       | 2,526      | 37.7 %     |
| Everhome Suites                  | 3              | 335            | 1              | 98             | 2        | 200.0 %      | 237        | 241.8 %    |
| Econo Lodge                      | 665            | 39,243         | 690            | 41,157         | (25)     | (3.6)%       | (1,914)    | (4.7)%     |
| Rodeway                          | 464            | 26,140         | 495            | 27,840         | (31)     | (6.3)%       | (1,700)    | (6.1)%     |
| <b>Total Domestic Franchises</b> | <b>6,273</b>   | <b>494,096</b> | <b>6,268</b>   | <b>493,879</b> | <b>5</b> | <b>0.1 %</b> | <b>217</b> | <b>— %</b> |

<sup>(1)</sup> Includes the Radisson, Radisson Blu, Radisson Individuals, and Radisson RED brands.

<sup>(2)</sup> Includes the Comfort family of brand extensions, including Comfort Inn and Comfort Suites.

<sup>(3)</sup> Includes the Clarion family of brand extensions, including Clarion and Clarion Pointe.

International royalty fees increased to \$6.9 million for the three months ended March 31, 2024 from \$6.4 million for the three months ended March 31, 2023. The increase in international royalty fees is attributable to an increase in international RevPAR and an increase in the international franchise system size by 16 hotels (from 1,199 as of March 31, 2023 to 1,215 as of March 31, 2024) and 3,087 rooms (from 132,945 as of March 31, 2023 to 136,032 as of March 31, 2024).

### *Initial Franchise Fees*

Initial franchise fees are generally paid to the Company when a franchisee executes a franchise agreement for a new property entering the franchise system, or an existing franchised property at the time of an ownership change (referred to as a relicensing), or a franchise 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. Once the hotel opens, revenue is recognized ratably as the services are provided over the enforceable period of the franchise agreement. If a franchise agreement is terminated, then the previously deferred initial franchise fees are recognized as revenue immediately in the period the franchise agreement is terminated.

Initial franchise fee revenue decreased \$1.2 million to \$6.7 million for the three months ended March 31, 2024 from \$7.9 million for the three months ended March 31, 2023. The decrease is primarily attributable to the lower number of domestic franchise agreement terminations as compared to the prior year.

As of March 31, 2024, the Company had 1,012 hotels with 115,481 rooms in its pipeline. Approximately 86% of our pipeline is located in the United States and approximately 72% of the domestic portion of the 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 its pipeline are primarily due to the timing of hotel openings and the timing of awarding new franchise agreements. While the 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, including access to liquidity, availability of construction labor and materials, and local governmental approvals and entitlements.

### *Other Revenues*

Other revenues increased \$5.8 million to \$16.4 million for the three months ended March 31, 2024 from \$10.6 million for the three months ended March 31, 2023. The increase was primarily due to an increase in liquidated damages resulting from the early termination of franchise agreements and other franchising revenues.

### *Selling, General and Administrative*

Selling, general and administrative expenses, which includes the costs to operate the business, decreased \$0.3 million to \$48.6 million for the three months ended March 31, 2024 from \$48.9 million for the three months ended March 31, 2023.

The decrease in selling, general and administrative expenses primarily related to declines in spending for general corporate purposes, including compensation, benefits, and travel, that were driven by the substantial completion of integrating the Radisson Hotels Americas operations, and a decrease in the provisions for credit losses on accounts receivable balances. The overall decrease in selling, general and administrative expenses was partially offset by a \$1.9 million increase in the Company's deferred compensation liabilities based on increases in the fair value of the underlying investments.

### *Business Combination, Diligence and Transition Costs*

Business combination, diligence and transition costs increased \$5.4 million to \$15.8 million for the three months ended March 31, 2024 from \$10.4 million for the three months ended March 31, 2023. The increase was due to the costs related to the Wyndham acquisition pursuit, which we terminated on March 8, 2024.

### *Interest Expense*

Interest expense increased \$6.1 million to \$20.2 million for the three months ended March 31, 2024 from \$14.1 million for the three months ended March 31, 2023. The increase in interest expense was due to increased borrowings and higher interest rates on the Company's senior unsecured revolving credit facility. Refer to the discussion in the Liquidity and Capital Resources section in MD&A for more information.

### *Other Loss (Gain)*

Other loss (gain) decreased \$3.2 million to other losses of \$1.3 million for the three months ended March 31, 2024 from other gains of \$1.9 million for the three months ended March 31, 2023. The decrease was primarily due to a \$5.3 million unrealized loss on investments in equity securities, partially offset by dividend income of \$1.1 million and a \$1.6 million increase in the Company's deferred compensation assets based on increases in the fair value of the underlying investments.

### *Income Tax Expense*

The Company's effective income tax rates were 22.9% and 21.7% for the three months ended March 31, 2024 and 2023, respectively. The effective income tax rates 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 our 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.

As of March 31, 2024, the Company's primary sources of liquidity consisted of \$537.1 million in cash and cash equivalents and available borrowing capacity under the senior unsecured revolving credit facility. As of March 31, 2024, the Company was in compliance with all of its financial covenants under its credit agreements and the Company expects to remain in such compliance. The Company believes that its cash on hand, available borrowing capacity under the senior unsecured revolving credit facility, cash flows from operations, and access to additional capital in the debt markets will 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 to acquire or develop and then 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. With respect to these activities, the Company had approximately \$499.4 million in financial support of the Cambria Hotels and Everhome Suites brands reflected in the consolidated balance sheet as of March 31, 2024. The Company is generally targeting to recycle these investments within a five year period, and expects our outstanding investments to not exceed \$1.2 billion at any point in time based on the current board of directors' authorization. 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.

The Company also strategically deploys capital in the form of franchise agreement acquisition costs across our brands to incentivize franchise development. The timing and the amount of the franchise agreement acquisition cost payments 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.

The Company has historically generated cash flows from operating activities that are in excess of the capital needed to invest in growth opportunities and to service debt obligations. As a result, the Company maintains a share repurchase program and typically pays a quarterly dividend. On March 11, 2024, the Company's board of directors approved an increase of 5 million shares in the number of shares authorized to be repurchased under its share repurchase program. As of March 31, 2024, the Company had 6.4 million shares remaining under the current share repurchase authorization. The projected 2024 annual dividend rate is \$1.15 per share or approximately \$57.2 million in aggregate dividend payments, which is subject to future declarations by our board of directors.

### *Cash Flows from Operating Activities*

During the three months ended March 31, 2024 and 2023, the net cash provided by operating activities was \$1.7 million and \$12.0 million, respectively. Our operating cash flows decreased \$10.3 million primarily due to a decrease in the net reimbursable amounts from the franchised and managed properties activities, an increase in the franchise agreement acquisition cost payments, an increase in business combination, diligence and transition costs associated with the Wyndham acquisition pursuit, and an increase in borrowing costs, all of which were partially offset by the timing of working capital items.

In conjunction with brand and development programs, we strategically make certain franchise acquisition cost payments to franchisees as an incentive to enter into new franchise agreements or perform-designated improvements to properties under existing franchise agreements. 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, then the franchisee must repay the unamortized franchise agreement acquisition cost payment plus interest to the Company. During the three months ended March 31, 2024 and 2023, the Company's net franchise agreement acquisition costs were \$33.5 million and \$28.1 million, respectively.

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The Company's franchise agreements require the payment of marketing and reservation system fees to be used by the Company for the expenses associated with providing franchise services such as national marketing, media advertising, and central reservation systems. Additionally, the Company's management agreements include cost reimbursements, primarily related to payroll costs at managed hotels where the Company is the employer. These activities are reflected in other revenues from franchised and managed properties and other expenses from franchised and managed properties. During the three months ended March 31, 2024, the activity from other expenses from franchised and managed properties exceeded the activity of other revenues from franchised and managed properties by \$12.4 million. During the three months ended March 31, 2023, the activity from other revenues from franchised and managed properties exceeded the activity of other expenses from franchised and managed properties by \$2.1 million.

### *Cash Flows from Investing Activities*

The net cash used in investing activities was \$42.7 million and \$29.5 million for the three months ended March 31, 2024 and 2023, respectively. The net cash used in investing activities was primarily due to the following:

During the three months ended March 31, 2024 and 2023, capital expenditures in property and equipment totaled \$32.8 million and \$19.6 million, respectively. These capital expenditures primarily reflect the costs incurred to support the continued growth of the Cambria Hotels and Everhome Suites brands and the ongoing hotel development efforts, as well as the leasehold improvements in the Company's new corporate headquarters office in North Bethesda, Maryland.

The Company has 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 branded-hotels in strategic markets. During the three months ended March 31, 2024 and 2023, the Company invested \$9.3 million and \$3.6 million, respectively, to support these efforts. In addition, during the three months ended March 31, 2023, the Company received proceeds from the sale of certain affiliates totaling \$0.9 million. During the three months ended March 31, 2024, the Company did not sell any affiliates.

During the three months ended March 31, 2024, the Company received proceeds of \$1.2 million from the sale of equity securities. There were no purchases of equity securities during the three months ended March 31, 2024. The Company did not purchase or sell any equity securities during the three months ended March 31, 2023.

The Company provides financing to franchisees for hotel development efforts and other purposes in the form of notes receivable loans. The loans bear interest and are expected to be repaid in accordance with the terms of the loan agreements. During the three months ended March 31, 2024, the Company issued \$1.0 million in notes receivable loans and received \$0.9 million in notes receivable loan repayments. During the three months ended March 31, 2023, the Company issued \$3.7 million in notes receivable loans and received \$0.3 million in notes receivable loan repayments.

### *Cash Flows from Financing Activities*

Cash flows from financing activities primarily relate to the proceeds or payments on the Company's borrowings, treasury stock repurchases, acquisition of shares in connection with the exercise or vesting of equity awards, the payment of dividends, and the payment of debt issuance costs.

## 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 one-year extension options 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 the payment fees. The Company has exercised the one-year extension option on multiple occasions, which has resulted in a new maturity date of August 20, 2026. The Restated Credit Agreement allows for up to \$35 million of borrowings that may be used for alternative currency loans and up to \$25 million of borrowings that may be used for swingline loans. From time to time, the Company may 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.

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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 the London Interbank Offered Rate 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%, which is dependent on the Company's senior unsecured long-term debt rating or other circumstances as set forth in the Restated Credit Agreement if the Company's 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 restrictions on liens, incurring indebtedness, making investments, and effecting mergers and/or asset sales. With respect to the payment of dividends, the Company may not declare or make any dividend payments if there is an existing event of default or if the dividend payment would create an event of default.

The Restated Credit Agreement imposes financial covenants that require 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. In addition, on up to two nonconsecutive occasions, the Company will be required to maintain a total leverage ratio of not more than 5.5 to 1.0 for up to three consecutive quarters following a material acquisition commencing with the fiscal quarter in which the 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 under the Restated Credit Agreement to be immediately due and payable. As of March 31, 2024, the Company maintained a total leverage ratio of 2.73x, including outstanding debt of approximately \$353.3 million on the senior unsecured revolving credit facility. The Company 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 from the effective interest method, and through the loan's maturity date. The amortization of the debt issuance 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 as set forth in the Restated Credit Agreement.

### *Term Loan Due 2024*

On December 18, 2023, the Company entered into a \$500 million unsecured term loan with a maturity date of December 16, 2024 (the "2023 Term Loan"), which has an optional one-year extension that can be requested by the Company prior to the initial maturity date. The extension option is subject to the consent of the lenders and certain customary conditions.

The 2023 Term Loan and all accrued but unpaid interest must be repaid in full on the maturity date. Upon the occurrence of certain debt issuances and equity issuances, as defined in the 2023 Term Loan's agreement, the Company is required to make certain principal prepayments of the 2023 Term Loan in an amount equal to 100% of the net cash proceeds from those debt and equity issuances.

The Company may elect to have the 2023 Term Loan bear interest at a rate equal to (i) SOFR (subject to a credit spread adjustment of 0.10% and a 0.00% floor) plus a margin ranging from 125 to 175 basis points, or (ii) a base rate plus a margin ranging from 25 to 75 basis points. In each case, the margin is determined according to the Company's senior unsecured long-term debt rating.

The term loan agreement requires that the Company comply with various covenants, including restrictions on liens, incurring indebtedness, making dividends, stock repurchases, investments, and completing mergers and/or asset sales. The term loan agreement has financial covenants which require 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 which may be increased to 5.5 to 1.0 for up to three consecutive fiscal quarters commencing with the fiscal quarter in which certain material acquisitions are consummated. As long as the Company maintains an Investment Grade Rating, as defined in the term loan agreement, then the Company will not need to comply with the consolidated fixed charge coverage ratio covenant.

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The term loan 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 term loan agreement to be immediately due and payable.

### *Senior Unsecured Notes Due 2031*

On July 23, 2020, the Company issued unsecured senior notes with a 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 15<sup>th</sup> and July 15<sup>th</sup>. The Company used the net proceeds of the 2020 Senior Notes, after deducting underwriting discounts, commissions, and offering expenses, to repay in full the \$250 million term loan entered in April 2020 and to fund the purchase price of the 2012 Senior Notes.

The interest rate payable on the 2020 Senior Notes is 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 the maturity date. 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 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 with a 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 1<sup>st</sup> and June 1<sup>st</sup>. The Company used the net proceeds of this offering, after deducting underwriting discounts, commissions, and offering expenses, to repay the previously outstanding senior notes with a 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 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.

### *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. The Company has been advanced the full amounts that were due pursuant to these agreements, and these advances bore interest at a rate of 3% per annum.

Repayment of the advances was contingent upon the Company achieving certain performance conditions. The performance conditions were measured annually on December 31<sup>st</sup> and primarily related to maintaining certain levels of employment within the various jurisdictions. If the Company failed to meet an annual performance condition, then the Company may have been required to repay a portion, or all, of the advances including accrued interest by April 30<sup>th</sup> following the measurement date. Upon the expiration of the Company's previous ten-year corporate headquarters lease agreement in 2023, any outstanding advances would be forgiven in full. The \$4.4 million of advances were previously recognized as debt in the consolidated balance sheets.

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Upon the expiration of the Company's previous ten-year corporate headquarters lease agreement in 2023, the Company concluded that it had achieved the performance conditions over the entire term of the agreement and therefore, the Company is not required to repay the advances. As a result, during the year ended December 31, 2023, the Company derecognized the \$4.4 million economic development loans debt from the consolidated balance sheets and recognized a gain on extinguishment of debt in the consolidated statements of income.

### Dividends

In March 2023, the Company's board of directors approved a 21% increase in the quarterly cash dividend to \$0.2875 per share, which is the current per share dividend amount that was utilized in each of the dividends that were declared in 2023 and 2024.

During the three months ended March 31, 2024, the Company paid \$14.7 million in cash dividends. Based on the current per share dividend amount and our outstanding share count, the aggregate annual dividends for the year ended December 31, 2024 is projected to be \$1.15 per share or approximately \$57.2 million in aggregate dividend payments.

We expect that cash dividends will continue to be paid in the future, subject to the declaration by our board of directors, future business performance, economic conditions, changes in tax regulations, and other matters. In accordance with the Restated Credit Agreement and the 2023 Term Loan, the Company may not declare or make any dividend payments if there is an existing event of default or if the dividend 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. On March 11, 2024, the Company's board of directors approved an increase of 5.0 million shares in the number of shares authorized to be repurchased under its share repurchase program.

During the three months ended March 31, 2024, the Company repurchased 0.4 million shares of its common stock under the share repurchase program at a total cost, including accrued excise tax, of \$49.2 million. In total, the Company has repurchased 58.7 million shares of its common stock (including 33.0 million shares prior to the two-for-one stock split effected in October 2005) under the share repurchase program at a total cost of \$2.3 billion. Considering the effect of the two-for-one stock split, the Company has repurchased 91.7 million shares at an average price of \$25.31 per share. As of March 31, 2024, the Company had 6.4 million shares remaining under the current share repurchase authorization.

During the three months ended March 31, 2024, the Company redeemed 0.1 million shares of common stock at a total cost of \$11.4 million from employees to satisfy the option exercise price and the statutory minimum tax-withholding requirements related to the exercising of stock options and the vesting of PVRsUs and restricted stock grants. These redemptions were outside the share repurchase program. During the three months ended March 31, 2024, the Company received proceeds of \$4.2 million from stock options exercised by employees.

### **Critical Accounting Estimates**

The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting periods, and the related disclosures in the consolidated financial statements and the accompanying footnotes. We have discussed the estimates that we believe are critical because they involve a higher degree of judgment in their application and are based on information that is inherently uncertain in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. During the three months ended March 31, 2024, there were no material changes to the critical accounting estimates that were previously disclosed.

### **New Accounting Standards**

Refer to the "Recently Issued Accounting Standards" section of Note 1 to the consolidated financial statements 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 our 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, revenue per available room, 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 ability to realize the anticipated long-term benefits and synergies of the acquisition of Radisson Hotels Americas as rapidly or to the extent anticipated; 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, and the related impact on the global hospitality industry, particularly but not exclusively the U.S. travel market; 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; 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, 2023, filed with the SEC on February 20, 2024. 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 \$45.1 million and \$41.6 million as of March 31, 2024 and December 31, 2023, respectively, and are accounted for as trading securities. The Company will continue to monitor the exposure in these areas and make the appropriate adjustments as market conditions dictate.

As of March 31, 2024, the Company had \$855 million of variable interest rate debt instruments outstanding at an effective interest rate of 6.66%. A hypothetical change of 10% in the Company's effective interest rate from the March 31, 2024 levels would increase or decrease annual interest expense by \$5.7 million. The Company generally 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 March 31, 2024.

***Changes in internal control over financial reporting***

There have been no changes in the Company's internal control over financial reporting during the period ended March 31, 2024 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 in the aggregate, will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

### ITEM 1A. RISK FACTORS

As discussed in the Overview section of "Management's Discussion and Analysis of Financial Condition and Results of Operations", the Company terminated its pursuit to acquire Wyndham; therefore, the risks associated with the acquisition of Wyndham that were included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 are no longer material risks to the Company. Otherwise, there have been no material changes to the risk factors that were disclosed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, all of which could materially affect our business, financial condition, or future operating results. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may also 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 the purchases and redemptions of Choice Hotels International, Inc. common stock made by the Company during the three months ended March 31, 2024. Refer to the Liquidity and Capital Resources section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

| Month Ending                  | Total Number of<br>Shares Purchased<br>or Redeemed | Average Price<br>Paid per Share | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs <sup>(1)</sup> | Maximum Number of<br>Shares that may yet be<br>Purchased Under the Plans<br>or Programs, End of Period |
|-------------------------------|----------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| January 31, 2024              | —                                                  | \$ —                            | —                                                                                                        | 1,763,472                                                                                              |
| February 29, 2024             | —                                                  | —                               | —                                                                                                        | 1,763,472                                                                                              |
| March 31, 2024 <sup>(2)</sup> | 494,910                                            | 122.39                          | 382,374                                                                                                  | 6,381,098                                                                                              |
| <b>Total</b>                  | <b>494,910</b>                                     | <b>\$ 122.39</b>                | <b>382,374</b>                                                                                           | <b>6,381,098</b>                                                                                       |

<sup>(1)</sup> During the three months ended March 31, 2024, the Company redeemed 112,536 shares of common stock from employees to satisfy the option price and the minimum tax-withholding requirements related to the exercising of options and the vesting of performance vested restricted stock units and restricted stock grants. These redemptions were not part of the share repurchase program.

<sup>(2)</sup> On March 11, 2024, the Company's board of directors approved an increase of 5.0 million shares in the number of shares authorized to be repurchased under its share repurchase program.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

## ITEM 5. OTHER INFORMATION

### Director and Officer Trading Arrangements

The following table describes, for the first quarter of 2024, each trading arrangement for the sale or purchase of Company securities adopted or terminated by our directors and officers that is either (i) a contract, instruction, or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) (a “Rule 10b5-1 trading arrangement”), or (ii) a “non-Rule 10b5-1 trading arrangement” (as defined in Item 408(c) of Regulation S-K):

| Name<br>(Title)                                                                               | Action Taken (Date of Action) | Type of Trading Arrangement     | Nature of Trading Arrangement | Duration of Trading Arrangement | Aggregate Number of Securities Covered |
|-----------------------------------------------------------------------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|----------------------------------------|
| Patrick Pacious<br>(President and Chief Executive Officer)                                    | Adopted (March 14, 2024)      | Rule 10b5-1 trading arrangement | Sale                          | (1)                             | (1)                                    |
| Simone Wu<br>(Senior Vice President, General Counsel, Corporate Secretary & External Affairs) | Adopted (March 14, 2024)      | Rule 10b5-1 trading arrangement | Sale                          | (2)                             | (2)                                    |
| Dominic Dragisich<br>(Executive Vice President, Operations and Chief Global Brand Officer)    | Adopted (March 14, 2024)      | Rule 10b5-1 trading arrangement | Sale                          | (3)                             | (3)                                    |
| Patrick Cimerola<br>(Chief Human Resources Officer)                                           | Adopted (March 14, 2024)      | Rule 10b5-1 trading arrangement | Sale                          | (4)                             | (4)                                    |

<sup>(1)</sup> This trading plan relates to 54,993 shares of the Company's common stock and has a scheduled expiration date of December 20, 2024.

<sup>(2)</sup> This trading plan relates to 7,840 shares of the Company's common stock and has a scheduled expiration date of March 1, 2025.

<sup>(3)</sup> This trading plan relates to 27,835 shares of the Company's common stock and has a scheduled expiration date of February 28, 2026.

<sup>(4)</sup> This trading plan relates to 39,781 shares of the Company's common stock and has a scheduled expiration date of June 17, 2025.

**ITEM 6. EXHIBITS**

**Exhibit Number and Description**

| <b>Exhibit Number</b> | <b>Description</b>                                                                                                                                                     |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.01(a)               | <a href="#">Restated Certificate of Incorporation of Choice Hotels Franchising, Inc. (renamed Choice Hotels International, Inc.)</a>                                   |
| 3.02(b)               | <a href="#">Amendment to the Restated Certificate of Incorporation of Choice Hotels International, Inc. dated April 26, 2013</a>                                       |
| 3.03(c)               | <a href="#">Amended and Restated Bylaws of Choice Hotels International, Inc. dated February 15, 2010</a>                                                               |
| 3.04(d)               | <a href="#">Amendment to the Amended and Restated Bylaws of Choice Hotels International, Inc. dated April 24, 2015</a>                                                 |
| 3.05(e)               | <a href="#">Amendment to the Amended and Restated Bylaws of Choice Hotels International, Inc. dated January 12, 2016</a>                                               |
| 31.1*                 | <a href="#">Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)</a>                                                                  |
| 31.2*                 | <a href="#">Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)</a>                                                                  |
| 32*                   | <a href="#">Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>                                               |
| 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 dated April 26, 2013, 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 dated February 15, 2010, 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 dated April 24, 2015, 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 dated January 12, 2016, 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.

May 8, 2024

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

CHOICE HOTELS INTERNATIONAL, INC.

May 8, 2024

By: /s/ SCOTT E. OAKSMITH  
**Scott E. Oaksmith**  
**Chief Financial Officer**

## 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.

May 8, 2024

/s/ PATRICK S. PACIOUS

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**Patrick S. Pacious**  
**President & Chief Executive Officer**

## CERTIFICATION

I, Scott E. Oaksmith, 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.

May 8, 2024

/s/ SCOTT E. OAKSMITH

**Scott E. Oaksmith**  
**Chief Financial 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 March 31, 2024 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.

May 8, 2024

/s/ PATRICK S. PACIOUS

**Patrick S. Pacious**  
**President & Chief Executive Officer**

May 8, 2024

/s/ SCOTT E. OAKSMITH

**Scott E. Oaksmith**  
**Chief Financial Officer**