

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2025

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

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

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

As of July 31, 2025, the number of shares outstanding of Choice Hotels International, Inc.'s common stock was 46,268,374.

CHOICE HOTELS INTERNATIONAL, INC.

INDEX

	<u>PAGE NO.</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1 - Financial Statements (Unaudited)	3
Consolidated Statements of Income - For the three and six months ended June 30, 2025 and 2024	3
Consolidated Statements of Comprehensive Income - For the three and six months ended June 30, 2025 and 2024	4
Consolidated Balance Sheets - As of June 30, 2025 and December 31, 2024	5
Consolidated Statements of Cash Flows - For the six months ended June 30, 2025 and 2024	6
Consolidated Statements of Shareholders' Equity (Deficit) - For the three and six months ended June 30, 2025 and 2024	7
Notes to Consolidated Financial Statements	8
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3 - Quantitative and Qualitative Disclosures About Market Risk	31
Item 4 - Controls and Procedures	32
<u>PART II. OTHER INFORMATION</u>	
Item 1 - Legal Proceedings	33
Item 1A - Risk Factors	33
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 3 - Defaults Upon Senior Securities	33
Item 4 - Mine Safety Disclosures	33
Item 5 - Other Information	33
Item 6 - Exhibits	34
<u>SIGNATURES</u>	35

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		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
REVENUES				
Franchise and management fees	\$ 177,086	\$ 179,803	\$ 322,154	\$ 323,213
Partnership services and fees	27,064	27,363	52,445	47,207
Owned hotels	30,228	28,418	58,088	53,409
Other	24,716	23,307	35,843	38,024
Revenue for reimbursable costs from franchised and managed properties	167,349	176,265	290,773	305,252
Total revenues	426,443	435,156	759,303	767,105
OPERATING EXPENSES				
Selling, general and administrative	89,298	88,729	163,508	160,998
Business combination, diligence and transition costs	347	895	446	16,739
Depreciation and amortization	13,424	12,837	27,172	25,652
Owned hotels	22,419	20,704	43,479	40,027
Reimbursable expenses from franchised and managed properties	176,358	179,369	320,169	330,918
Total operating expenses	301,846	302,534	554,774	574,334
Operating income	124,597	132,622	204,529	192,771
OTHER EXPENSES AND INCOME, NET				
Interest expense	22,736	23,845	43,978	44,026
Interest income	(1,456)	(2,415)	(3,015)	(4,146)
Other (gain) loss	(5,374)	2,544	(4,938)	3,880
Equity in net loss (gain) of affiliates	80	(7,933)	131	(7,778)
Total other expenses and income, net	15,986	16,041	36,156	35,982
Income before income taxes	108,611	116,581	168,373	156,789
Income tax expense	26,877	29,445	42,105	38,644
Net income	\$ 81,734	\$ 87,136	\$ 126,268	\$ 118,145
Basic earnings per share	\$ 1.76	\$ 1.82	\$ 2.71	\$ 2.42
Diluted earnings per share	\$ 1.75	\$ 1.80	\$ 2.68	\$ 2.41
Cash dividends declared per share	\$ 0.2875	\$ 0.2875	\$ 0.5750	\$ 0.5750

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		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Net income	\$ 81,734	\$ 87,136	\$ 126,268	\$ 118,145
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	2,079	(694)	2,142	(240)
Other comprehensive income (loss), net of tax	2,079	(694)	2,142	(240)
Comprehensive income	\$ 83,813	\$ 86,442	\$ 128,410	\$ 117,905

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)

	June 30, 2025	December 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 58,610	\$ 40,177
Accounts receivable (net of allowance for credit losses of \$49,158 and \$45,610, respectively)	218,473	176,672
Income taxes receivable	8,116	5,419
Notes receivable (net of allowance for credit losses of \$5,601 and \$5,805, respectively)	74,677	75,501
Prepaid expenses and other current assets	40,803	41,317
Total current assets	400,679	339,086
Property and equipment (net of accumulated depreciation and amortization of \$135,566 and \$125,903, respectively)	660,762	604,345
Operating lease right-of-use assets	79,745	83,451
Goodwill	220,187	220,187
Intangible assets (net of accumulated amortization of \$239,570 and \$209,037, respectively)	882,490	884,013
Notes receivable (net of allowance for credit losses of \$1,603 and \$1,526, respectively)	34,214	32,682
Investments for employee benefit plans, at fair value	48,205	47,603
Investments in affiliates	125,480	117,016
Deferred income taxes	107,655	108,308
Other assets	105,345	93,836
Total assets	\$ 2,664,762	\$ 2,530,527
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 142,870	\$ 134,865
Accrued expenses and other current liabilities	116,569	136,729
Deferred revenue	105,761	102,114
Liability for guest loyalty program	86,729	89,013
Total current liabilities	451,929	462,721
Long-term debt	1,900,116	1,768,526
Long-term deferred revenue	128,616	132,259
Deferred compensation and retirement plan obligations	54,040	53,316
Operating lease liabilities	111,239	113,255
Liability for guest loyalty program	39,576	40,607
Other liabilities	5,484	5,114
Total liabilities	2,691,000	2,575,798
Commitments and contingencies (Note 12)		
Common stock, \$0.01 par value; 160,000,000 shares authorized; 95,065,638 shares issued at June 30, 2025 and December 31, 2024; 46,263,374 and 46,856,567 shares outstanding at June 30, 2025 and December 31, 2024, respectively	951	951
Additional paid-in-capital	387,161	370,201
Accumulated other comprehensive loss	(4,051)	(6,193)
Treasury stock, at cost; 48,802,264 and 48,209,071 shares at June 30, 2025 and December 31, 2024, respectively	(2,511,169)	(2,411,527)
Retained earnings	2,100,870	2,001,297
Total shareholders' deficit	(26,238)	(45,271)
Total liabilities and shareholders' deficit	\$ 2,664,762	\$ 2,530,527

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

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

	Six Months Ended	
	June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 126,268	\$ 118,145
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,172	25,652
Depreciation and amortization – reimbursable expenses from franchised and managed properties	9,426	9,907
Franchise agreement acquisition cost amortization	17,261	13,993
Non-cash share-based compensation and other charges	19,438	19,253
Non-cash interest, investments, and affiliate income, net	(1,668)	(1,791)
Deferred income taxes	850	(2,689)
Equity in net loss of affiliates, less distributions received	692	1,160
Franchise agreement acquisition costs, net of reimbursements	(41,474)	(52,025)
Change in working capital and other	(41,895)	(18,010)
Net cash provided by operating activities	116,070	113,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in other property and equipment	(18,333)	(22,686)
Investments in owned hotel properties	(65,676)	(50,853)
Contributions to investments in affiliates	(9,358)	(19,486)
Issuances of notes receivable	(3,353)	(1,479)
Collections of notes receivable	2,773	1,743
Proceeds from sales of equity securities	—	16,815
Distributions from sales of affiliates	—	15,850
Other items, net	(1,201)	(1,936)
Net cash used in investing activities	(95,148)	(62,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings pursuant to revolving credit facilities	130,000	301,500
Debt issuance costs	—	(2,760)
Purchases of treasury stock	(112,756)	(292,711)
Dividends paid	(26,868)	(28,854)
Proceeds from the exercise of stock options	6,385	4,261
Net cash used in financing activities	(3,239)	(18,564)
Net change in cash and cash equivalents	17,683	32,999
Effect of foreign exchange rate changes on cash and cash equivalents	750	656
Cash and cash equivalents, beginning of period	40,177	26,754
Cash and cash equivalents, end of period	\$ 58,610	\$ 60,409
Supplemental disclosure of cash flow information:		
Cash payments during the period for		
Income taxes, net of refunds	\$ 41,548	\$ 28,961
Interest, net of capitalized interest	\$ 44,884	\$ 42,863
Non-cash investing and financing activities		
Dividends declared but not paid	\$ 13,304	\$ 13,613
Investments in property, equipment, and intangible assets recognized in accounts payable and accrued expense liabilities	\$ 20,579	\$ 10,955

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

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

	Common Stock - Shares Outstanding	Common Stock - Par Value	Additional Paid-in- Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total
Balance as of December 31, 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 ⁽¹⁾	252,869	—	4,862	—	6,323	—	11,185
Dividends declared (\$0.2875 per share)	—	—	—	—	—	(14,147)	(14,147)
Treasury purchases	(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
Net income	—	—	—	—	—	87,136	87,136
Other comprehensive loss, net of tax	—	—	—	(694)	—	—	(694)
Share-based payment activity ⁽¹⁾	17,095	—	8,561	—	685	—	9,246
Dividends declared (\$0.2875 per share)	—	—	—	—	—	(13,613)	(13,613)
Treasury purchases	(1,950,432)	—	—	—	(235,581)	—	(235,581)
Balance as of June 30, 2024	47,350,867	\$ 951	\$ 344,173	\$ (5,911)	\$ (2,332,736)	\$ 1,846,744	\$ (146,779)

	Common Stock - Shares Outstanding	Common Stock - Par Value	Additional Paid-in- Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total
Balance as of December 31, 2024	46,856,567	\$ 951	\$ 370,201	\$ (6,193)	\$ (2,411,527)	\$ 2,001,297	\$ (45,271)
Net income	—	—	—	—	—	44,534	44,534
Other comprehensive income, net of tax	—	—	—	63	—	—	63
Share-based payment activity ⁽¹⁾	188,586	—	5,813	—	8,945	—	14,758
Dividends declared (\$0.2875 per share)	—	—	—	—	—	(13,391)	(13,391)
Treasury purchases	(456,142)	—	—	—	(64,627)	—	(64,627)
Balance as of March 31, 2025	46,589,011	\$ 951	\$ 376,014	\$ (6,130)	\$ (2,467,209)	\$ 2,032,440	\$ (63,934)
Net income	—	—	—	—	—	81,734	81,734
Other comprehensive income, net of tax	—	—	—	2,079	—	—	2,079
Share-based payment activity ⁽¹⁾	29,639	—	11,147	—	1,181	—	12,328
Dividends declared (\$0.2875 per share)	—	—	—	—	—	(13,304)	(13,304)
Treasury purchases	(355,276)	—	—	—	(45,141)	—	(45,141)
Balance as of June 30, 2025	46,263,374	\$ 951	\$ 387,161	\$ (4,051)	\$ (2,511,169)	\$ 2,100,870	\$ (26,238)

⁽¹⁾ 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.

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 information and footnote disclosures normally included in the consolidated financial statements presented in accordance with GAAP have been condensed or omitted. 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, 2024 and the notes thereto included in the Company's Annual Report on Form 10-K, which was filed with the SEC on February 20, 2025. The interim results are not necessarily indicative of the entire year's results.

Certain prior year amounts in our consolidated financial statements have been reclassified in order to maintain comparability with the current year presentation. The reclassifications were not as a result of any error in our consolidated financial statements.

The Company reclassified certain prior year amounts in the consolidated statements of income in order to maintain comparability with the current year presentation.

- Royalty, licensing and management fees were revised to franchise and management fees in the consolidated statements of income, and now include the revenues previously presented in royalty, licensing and management fees, with the exception of partnership licensing revenues which are now presented in partnership services and fees in the consolidated statements of income, and the addition of the revenues generated from programs, platforms, and services associated with the Company's franchise operations which were previously presented in other revenues from franchised and managed properties in the consolidated statements of income.
- Initial franchise fees, which were previously presented as a standalone financial statement line item, are now presented within franchise and management fees in the consolidated statements of income.
- Platform and procurement services fees were revised to partnership services and fees in the consolidated statements of income, and now include the revenues previously presented in platform and procurement services fees, with the exception of the revenues from the Company's annual franchisee convention which are now presented in other revenues, the addition of partnership licensing revenues which were previously presented in royalty, licensing and management fees, and the addition of the revenues generated from other non-franchising agreements which are primarily software as a service ("SaaS") arrangements for non-franchised hoteliers which were previously presented in other revenues in the consolidated statements of income.
- Other revenues from franchised and managed properties were revised to revenue for reimbursable costs from franchised and managed properties in the consolidated statements of income, and now include the revenues previously presented in other revenues from franchised and managed properties, with the exception of the revenues generated from programs, platforms, and services associated with the Company's franchise operations which are now presented in franchise and management fees in the consolidated statements of income.
- Selling, general and administrative expenses were revised to include the expenses incurred related to programs, platforms, and services associated with the Company's franchise operations, which were previously presented in other expenses from franchised and managed properties in the consolidated statements of income.
- Depreciation and amortization was revised to include amortization expense from information technology platforms, which was previously presented in other expenses from franchised and managed properties in the consolidated statements of income.

Table of Contents

- Other expenses from franchised and managed properties were revised to reimbursable expenses from franchised and managed properties in the consolidated statements of income, and now include the expenses previously presented in other expenses from franchised and managed properties, with the exception of the expenses incurred from programs, platforms, and services associated with the Company's franchise operations which are now presented in selling, general and administrative expenses, and amortization expense from information technology platforms which is now presented in depreciation and amortization expense in the consolidated statements of income.

The reclassifications had no effect on the Company's previously reported total revenues, total operating expenses, operating income, or net income.

The following table presents the effect of the reclassifications on the three and six months ended June 30, 2024 consolidated statements of income.

	Three Months Ended			Six Months Ended		
	June 30, 2024			June 30, 2024		
	As previously reported	Reclassification	As reclassified	As previously reported	Reclassification	As reclassified
REVENUES						
Franchise and management fees	\$ 141,813	\$ 37,990	\$ 179,803	\$ 247,280	\$ 75,933	\$ 323,213
Initial franchise fees	6,562	(6,562)	—	13,267	(13,267)	—
Partnership services and fees	28,126	(763)	27,363	41,882	5,325	47,207
Owned hotels	28,418	—	28,418	53,409	—	53,409
Other	15,037	8,270	23,307	31,394	6,630	38,024
Revenue for reimbursable costs from franchised and managed properties	215,200	(38,935)	176,265	379,873	(74,621)	305,252
Total revenues	435,156	—	435,156	767,105	—	767,105
OPERATING EXPENSES						
Selling, general and administrative	64,995	23,734	88,729	113,620	47,378	160,998
Business combination, diligence and transition costs	895	—	895	16,739	—	16,739
Depreciation and amortization	10,827	2,010	12,837	21,762	3,890	25,652
Owned hotels	20,704	—	20,704	40,027	—	40,027
Reimbursable expenses from franchised and managed properties	205,113	(25,744)	179,369	382,186	(51,268)	330,918
Total operating expenses	302,534	—	302,534	574,334	—	574,334
Operating income	\$ 132,622	\$ —	\$ 132,622	\$ 192,771	\$ —	\$ 192,771

The Company also reclassified certain prior year amounts in the consolidated statements of cash flows in order to maintain comparability with the current year presentation. Depreciation and amortization was revised to include amortization expense from information technology platforms, which was previously presented in depreciation and amortization - other expenses from franchised and managed properties in the consolidated statements of cash flows. Depreciation and amortization - other expenses from franchised and managed properties was revised to depreciation and amortization - reimbursable expenses from franchised and managed properties in the consolidated statements of cash flows. Investments in owned hotel properties and investments in other property and equipment, which were previously presented in investments in property and equipment, are now presented within standalone financial statement line items in the consolidated statements of cash flows. Investments in intangible assets, purchases of investments for employee benefits plans, and proceeds from sales of investments for employee benefits plans, which were previously presented in standalone financial statement line items, are now presented within other items, net in the consolidated statements of cash flows. The reclassifications had no effect on the Company's previously reported net cash provided by operating activities, the net cash used in investing activities, or the net change in cash and cash equivalents.

[Table of Contents](#)

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, 2024.

Recently Issued Accounting Standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 regard 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.

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses* ("ASU 2024-03"). ASU 2024-03 requires public entities to provide detailed disclosure of the income statement expenses in the footnotes to the consolidated financial statements. ASU 2024-03 does not require any changes to the expense captions on the face of the consolidated income statement. ASU 2024-03 is effective for the annual reporting period beginning after December 15, 2026 and for the interim periods within the annual reporting period beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the potential impact that ASU 2024-03 will have on the Company's consolidated financial statements.

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, 2024 to June 30, 2025:

(in thousands)		
Balance as of December 31, 2024	\$	216,697
Increases to the contract liability balance due to cash received		57,859
Revenue recognized in the period		(56,620)
Balance as of June 30, 2025	\$	217,936

Remaining Performance Obligations

The aggregate amount of the transaction price that is allocated to unsatisfied, or partially unsatisfied, performance obligations was \$217.9 million as of June 30, 2025. 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 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.

The loyalty points represent a performance obligation attributable to the usage of the points, and thus the revenues are recognized at the point in time when the loyalty points are redeemed by the members for benefits (with both franchisees and

third-party partners), net of the cost of redemptions. The loyalty net revenues, inclusive of adjustments to the estimated redemption rates, were \$37.2 million and \$36.3 million for the three months ended June 30, 2025 and 2024, respectively, and \$56.7 million and \$55.8 million for the six months ended June 30, 2025 and 2024, 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)		
	June 30, 2025	December 31, 2024
Senior	\$ 97,942	\$ 94,963
Subordinated	14,227	15,433
Unsecured	3,926	5,118
Total notes receivable	\$ 116,095	\$ 115,514
Less: allowance for credit losses	7,204	7,331
Total notes receivable, net of allowance for credit losses	\$ 108,891	\$ 108,183
Current portion, net of allowance for credit losses	\$ 74,677	\$ 75,501
Long-term portion, net of allowance for credit losses	\$ 34,214	\$ 32,682

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

(in thousands)	2025	2024	2023	2022	2021	Prior	Total
Senior	\$ 1,656	\$ 40,192	\$ —	\$ —	\$ —	\$ 56,094	\$ 97,942
Subordinated	—	—	3,501	—	—	10,726	14,227
Unsecured	—	123	—	—	746	3,057	3,926
Total notes receivable	<u>\$ 1,656</u>	<u>\$ 40,315</u>	<u>\$ 3,501</u>	<u>\$ —</u>	<u>\$ 746</u>	<u>\$ 69,877</u>	<u>\$ 116,095</u>

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

(in thousands)	June 30, 2025	December 31, 2024
Beginning balance	\$ 7,331	\$ 8,616
Provision (reversal) for credit losses	(127)	(609)
Recoveries	—	(676)
Ending balance	<u>\$ 7,204</u>	<u>\$ 7,331</u>

During the year ended December 31, 2024, the recoveries were primarily associated with cash collections pursuant to a settlement agreement with a borrower.

As of June 30, 2025 and December 31, 2024, three 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, the associated land parcel, or the operating hotel. The Company used both a market approach that uses quoted market prices and an income approach that uses discounted cash flows 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

[Table of Contents](#)

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 June 30, 2025 and December 31, 2024, respectively.

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

(in thousands)	1- 30 days Past Due	31-89 days Past Due	> 90 days Past Due	Total Past Due	Current	Total Notes Receivable
As of June 30, 2025						
Senior	\$ —	\$ —	\$ 42,900	\$ 42,900	\$ 55,042	\$ 97,942
Subordinated	—	—	2,264	2,264	11,963	14,227
Unsecured	—	—	384	384	3,542	3,926
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 45,548</u>	<u>\$ 45,548</u>	<u>\$ 70,547</u>	<u>\$ 116,095</u>
As of December 31, 2024						
Senior	\$ —	\$ —	\$ 15,200	\$ 15,200	\$ 79,763	\$ 94,963
Subordinated	—	—	2,264	2,264	13,169	15,433
Unsecured	—	—	784	784	4,334	5,118
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,248</u>	<u>\$ 18,248</u>	<u>\$ 97,266</u>	<u>\$ 115,514</u>

The amortized cost basis of the notes receivable in a non-accrual status was \$45.2 million and \$17.5 million as of June 30, 2025 and December 31, 2024, 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 \$105.0 million and \$103.1 million as of June 30, 2025 and December 31, 2024, 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.

Transactions with Unconsolidated Affiliates

The Company has extended loans to various unconsolidated affiliates or members of our unconsolidated affiliates. The Company had a total principal balance on these loans of \$65.8 million and \$66.2 million as of June 30, 2025 and December 31, 2024, respectively. These loans mature at various dates and bear interest at fixed or variable rates.

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 six months ended June 30, 2025, the Company recognized provisions for credit losses on accounts receivable of \$9.2 million in selling, general and administrative expenses, and \$6.9 million in reimbursable expenses from franchised and managed properties, in the consolidated statements of income. During the year ended December 31, 2024, the Company recognized provisions for credit losses on accounts receivable of \$11.0 million in selling, general and administrative expenses, and \$9.7 million in reimbursable expenses from franchised and managed properties, in the consolidated statements of income. During the six months ended June 30, 2025, the Company recorded write-offs, net of recoveries, through the accounts receivable allowance for credit losses of \$12.5 million. During the year ended December 31, 2024, the Company recorded write-offs, net of recoveries, through the accounts receivable allowance for credit losses of \$14.4 million.

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 June 30, 2025 and December 31, 2024, the Company had total investments in affiliates in the consolidated balance sheets of \$125.5 million and \$117.0 million, respectively, which included investments in affiliates that represent VIEs of \$110.5 million and \$104.2 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 June 30, 2025 and 2024, the Company recognized losses totaling \$1.0 million and gains totaling \$6.8 million, respectively, from these investments that represent VIEs. During the six months ended June 30, 2025 and 2024, the Company recognized losses totaling \$1.9 million

and gains totaling \$5.6 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.

On May 24, 2024, one of the Company's unconsolidated affiliates sold its underlying assets. The Company received a distribution from the unconsolidated affiliate and recognized a gain of \$7.2 million, which was recognized in equity in net gain of affiliates in the consolidated statements of income for the three and six months ended June 30, 2024.

During the three and six months ended June 30, 2025 and 2024, the Company recognized no impairment charges related to its equity method investments.

5. Debt

Debt consisted of the following:

	June 30, 2025	December 31, 2024
	(in thousands)	
\$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 \$2.7 million and \$3.0 million at June 30, 2025 and December 31, 2024, respectively	\$ 397,343	\$ 397,042
\$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 \$3.4 million and \$3.7 million at June 30, 2025 and December 31, 2024, respectively	446,605	446,300
\$600 million senior unsecured notes due 2034 ("2024 Senior Notes") with an effective interest rate of 6.11%, less a		

discount and deferred issuance costs of \$10.7 million and \$11.2 million at June 30, 2025 and December 31, 2024, respectively	589,350	588,764
\$1 billion senior unsecured revolving credit facility with an effective interest rate of 5.72%, less deferred issuance costs of \$3.2 million and \$3.6 million at June 30, 2025 and December 31, 2024, respectively	466,818	336,420
Total long-term debt	<u>\$ 1,900,116</u>	<u>\$ 1,768,526</u>

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 six months ended June 30, 2025 and 2024 were as follows:

(in thousands)		
Balance as of December 31, 2024	\$	(6,193)
Other comprehensive income before reclassification		2,142
Balance as of June 30, 2025	<u>\$</u>	<u>(4,051)</u>
(in thousands)		
Balance as of December 31, 2023	\$	(5,671)
Other comprehensive income before reclassification		(240)
Balance as of June 30, 2024	<u>\$</u>	<u>(5,911)</u>

Other comprehensive loss, net of tax, for both the six months ended June 30, 2025 and 2024 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 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 six months ended June 30, 2025 and during the year ended December 31, 2024.

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
As of June 30, 2025				
Mutual funds ⁽¹⁾	\$ 45,289	\$ 45,289	\$ —	\$ —
Money market funds ⁽¹⁾	7,272	—	7,272	—
Total	\$ 52,561	\$ 45,289	\$ 7,272	\$ —
As of December 31, 2024				
Mutual funds ⁽¹⁾	\$ 43,887	\$ 43,887	\$ —	\$ —
Money market funds ⁽¹⁾	5,439	—	5,439	—
Total	\$ 49,326	\$ 43,887	\$ 5,439	\$ —

⁽¹⁾ 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.

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 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 June 30, 2025 and December 31, 2024, the carrying amounts and the fair values were as follows:

(in thousands)	June 30, 2025		December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2019 Senior Notes due 2029	\$ 397,343	\$ 380,540	\$ 397,042	\$ 371,600
2020 Senior Notes due 2031	\$ 446,605	\$ 417,816	\$ 446,300	\$ 405,351
2024 Senior Notes due 2034	\$ 589,350	\$ 606,804	\$ 588,764	\$ 601,836

The fair value estimates are determined 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 24.7% and 25.3% for the three months ended June 30, 2025 and 2024, respectively. The Company's effective income tax rates were 25.0% and 24.6% for the six months ended June 30, 2025 and 2024, 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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Stock options	\$ 795	\$ 1,292	\$ 2,314	\$ 2,638
Restricted stock	3,003	3,236	6,330	6,713
Performance vested restricted stock units	7,155	4,749	12,724	9,020
Total share-based compensation expense	\$ 10,953	\$ 9,277	\$ 21,368	\$ 18,371

A summary of the share-based award activity during the six months ended June 30, 2025 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, 2025	771,641	\$ 111.15		355,405	\$ 136.67	467,521	\$ 137.74
Granted	—	—		49,363	138.58	147,586	150.94
Performance-based leveraging ⁽¹⁾	—	—		—	—	14,662	120.48
Exercised/vested	(57,025)	109.11		(57,916)	130.34	(116,107)	151.76
Expired	(12,850)	135.92		—	—	—	—
Forfeited	(613)	134.58		(6,231)	124.52	(8,845)	148.03
Outstanding as of June 30, 2025	701,153	\$ 110.88	5.7 years	340,621	\$ 138.21	504,817	\$ 137.62
Options exercisable as of June 30, 2025	561,418	\$ 107.64	5.2 years				

⁽¹⁾ Any revisions to the outstanding PVRsUs during the six months ended June 30, 2025 is based on the Company's performance relative to the targeted performance conditions in the respective PVRsUs.

The fair value of the restricted stock and the PVRsUs with performance conditions that were granted during the six months ended June 30, 2025 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.

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.

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

(in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Numerator:				
Net income	\$ 81,734	\$ 87,136	\$ 126,268	\$ 118,145
Income allocated to participating securities	(392)	(437)	(615)	(597)
Net income available to common shareholders	\$ 81,342	\$ 86,699	\$ 125,653	\$ 117,548
Denominator:				
Weighted average shares of common stock outstanding – basic	46,141	47,741	46,316	48,522
Basic earnings per share	\$ 1.76	\$ 1.82	\$ 2.71	\$ 2.42
Numerator:				
Net income	\$ 81,734	\$ 87,136	\$ 126,268	\$ 118,145
Income allocated to participating securities	(392)	(437)	(615)	(597)
Net income available to common shareholders	\$ 81,342	\$ 86,699	\$ 125,653	\$ 117,548
Denominator:				
Weighted average shares of common stock outstanding – basic	46,141	47,741	46,316	48,522
Dilutive effect of stock options, PVRsUs, and RSUs	447	297	538	317
Weighted average shares of common stock outstanding – diluted	46,588	48,038	46,854	48,839
Diluted earnings per share	\$ 1.75	\$ 1.80	\$ 2.68	\$ 2.41

The following securities have been excluded from the calculation of the 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		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Stock options	128	248	128	231
PVRsUs	—	49	—	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, partnership services and fees, 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.

[Table of Contents](#)

The Company evaluates its Hotel Franchising & Management reportable segment based primarily on the operating income of the segment without allocating corporate expenses or indirect general and administrative expenses. The Corporate & Other column includes 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).

Our President and Chief Executive Officer, who is our chief operating decision maker ("CODM"), utilizes budgeted and forecasted financial information as well as industry metrics, such as revenue per available room ("RevPar"), occupancy, and average daily room rate ("ADR"), to assess the performance and to make resource allocation decisions. The CODM 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.

[Table of Contents](#)

The following tables present the financial information for the Company's segments:

(in thousands)	Three Months Ended June 30, 2025				Three Months Ended June 30, 2024			
	Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated	Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	\$ 396,841	\$ 32,724	\$ (3,122)	\$ 426,443	\$ 414,019	\$ 24,198	\$ (3,061)	\$ 435,156
Other segment items ⁽¹⁾	231,648	59,896	(3,122)	288,422	242,429	50,329	(3,061)	289,697
Depreciation and amortization	7,327	6,097	—	13,424	6,347	6,490	—	12,837
Operating income (loss)	157,866	(33,269)	—	124,597	165,243	(32,621)	—	132,622
Reconciliation of segment profit or loss:								
Interest expense				22,736				23,845
Interest income				(1,456)				(2,415)
Other (gain) loss				(5,374)				2,544
Equity in net loss (gain) of affiliates				80				(7,933)
Income before income taxes				<u>\$ 108,611</u>				<u>\$ 116,581</u>

(in thousands)	Six Months Ended June 30, 2025				Six Months Ended June 30, 2024			
	Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated	Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	\$ 700,025	\$ 65,628	\$ (6,350)	\$ 759,303	\$ 713,378	\$ 59,335	\$ (5,608)	\$ 767,105
Other segment items ⁽¹⁾	424,073	109,879	(6,350)	527,602	440,802	113,488	(5,608)	548,682
Depreciation and amortization	14,701	12,471	—	27,172	12,485	13,167	—	25,652
Operating income (loss)	261,251	(56,722)	—	204,529	260,091	(67,320)	—	192,771
Reconciliation of segment profit or loss:								
Interest expense				43,978				44,026
Interest income				(3,015)				(4,146)
Other (gain) loss				(4,938)				3,880
Equity in net loss (gain) of affiliates				131				(7,778)
Income before income taxes				<u>\$ 168,373</u>				<u>\$ 156,789</u>

⁽¹⁾ Other segment items for the reportable segment include selling, general and administrative expenses and reimbursable expenses from franchised and managed properties.

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 its 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 June 30, 2025, the maximum unrecorded exposure of the principal associated with these limited payment guaranties was \$47.4 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 had the following outstanding commitments as of June 30, 2025:

- 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 hotels owned by a third-party. As of June 30, 2025, 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. As of June 30, 2025, no liability was recognized in the consolidated balance sheets. For the six months ended June 30, 2025, the Company recognized guarantee payments of \$2.0 million in selling, general and administrative expenses in the consolidated statements of income. As of June 30, 2025, the maximum unrecorded exposure of the guarantee was \$20.0 million.
- 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 has committed to provide financing in the form of loans or credit facilities to franchisees for brand development efforts. As of June 30, 2025, the Company had remaining commitments of up to \$4.3 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. Subsequent Events

On July 2, 2025, the Company acquired the remaining 50% of the outstanding shares of Choice Hotels Canada, Inc. ("Choice Hotels Canada") and amended the existing master franchise agreement for a purchase price of approximately \$112.0 million, subject to customary adjustments related to working capital and cash. The acquisition was funded with available cash and borrowings under the Company's senior unsecured revolving credit facility. Choice Hotels Canada franchises more than 26,000 rooms in Canada, which have been included in the Company's franchised hotel statistics as a result of the existing master franchise agreement, and will soon have the ability to offer developers access to all 22 hotel brands, including the Company's extended stay brands. Prior to the acquisition date, the Company owned 50% of the outstanding shares of Choice Hotels Canada, which was accounted for under the equity method of accounting and reported within investments in affiliates in the consolidated balance sheets. Due to the close proximity of the Choice Hotels Canada acquisition date and the Company's filing of its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025, the initial accounting for the acquisition is incomplete as of the filing date. The initial accounting for the acquisition will be included in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025.

On July 10, 2025, the Company entered into a joint venture agreement to develop and operate Everhome Suites in certain strategic markets (the "Joint Venture"). The Company contributed \$71.6 million in cash to the Joint Venture in exchange for an equity ownership interest. The Company concluded that the Joint Venture represents a VIE. The Company determined that it is not the primary beneficiary of the VIE, however, the Company does exercise significant influence through its equity ownership and as a result, the Company's investment in the Joint Venture will be accounted for under the equity method of accounting and reported within investments in affiliates in the consolidated balance sheets.

Subsequent to the formation of the Joint Venture, the following transactions were completed:

- The Joint Venture entered into a loan facility for up to \$500 million. In connection with the loan facility, the Company has provided a limited payment guarantee, which applies to all hotel projects funded by the loan facility, with the applicable guaranteed amount being determined on a hotel project by hotel project basis. The Company's obligation under the limited payment guarantee with respect to any hotel project is effective upon the earlier of (a) the hotel's opening date or (b) 18 months after the date on which construction first started for the hotel. As of the date of the loan facility, the Company's maximum unrecorded exposure of the principal associated with the limited payment guarantee was \$11.5 million, plus unpaid expenses and accrued but unpaid interest. The Company believes the likelihood of having to perform under the guarantee is remote. In the event of performance, the Company has recourse for the limited payment guarantee in the form of partial guaranties from third parties associated with the Joint Venture.
- The Company sold four wholly-owned Everhome Suites hotels under construction to the Joint Venture for an aggregate sale price of \$52.0 million, subject to customary prorations. Prior to the sale, the four wholly-owned Everhome Suites hotels were reported within property and equipment in the consolidated balance sheets.

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 49 states, the District of Columbia, and 46 countries and territories. As of June 30, 2025, we had 7,481 hotels with 644,400 rooms open and operating, and 931 hotels with 93,218 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 & SuitesSM, 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 13 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 franchising 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 primarily 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 royalty, licensing and other franchise related 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.

[Table of Contents](#)

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 13 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 - Franchise 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 results of 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 revenue for reimbursable costs from franchised and managed properties and reimbursable 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 revenue for reimbursable costs from franchised and managed properties and reimbursable expenses from franchised and managed properties from the analysis of our results of operations.

Due to the seasonal nature of the Company's hotel franchising and management business and the multi-year investments required to support the franchise operations, quarterly and/or annual surpluses or deficits may be generated. During the three months ended June 30, 2025 and 2024, reimbursable expenses from franchised and managed properties exceeded revenue for reimbursable costs from franchised and managed properties by \$9.0 million and \$3.1 million, respectively. During the six months ended June 30, 2025 and 2024, reimbursable expenses from franchised and managed properties exceeded revenue for reimbursable costs from franchised and managed properties by \$29.4 million and \$25.7 million, respectively.

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 a 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.

Operations Review

Comparison of the Operating Results for the Three Months Ended June 30, 2025 and 2024

(in thousands)	Three Months Ended	
	June 30,	
	2025	2024
REVENUES		
Franchise and management fees	\$ 177,086	\$ 179,803
Partnership services and fees	27,064	27,363
Owned hotels	30,228	28,418
Other	24,716	23,307
Revenue for reimbursable costs from franchised and managed properties	167,349	176,265
Total revenues	426,443	435,156
OPERATING EXPENSES		
Selling, general and administrative	89,298	88,729
Business combination, diligence and transition costs	347	895
Depreciation and amortization	13,424	12,837
Owned hotels	22,419	20,704
Reimbursable expenses from franchised and managed properties	176,358	179,369
Total operating expenses	301,846	302,534
Operating income	124,597	132,622
OTHER EXPENSES AND INCOME, NET		
Interest expense	22,736	23,845
Interest income	(1,456)	(2,415)
Other (gain) loss	(5,374)	2,544
Equity in net loss (gain) of affiliates	80	(7,933)
Total other expenses and income, net	15,986	16,041
Income before income taxes	108,611	116,581
Income tax expense	26,877	29,445
Net income	\$ 81,734	\$ 87,136

Results of Operations

For the three months ended June 30, 2025, the Company recognized income before income taxes of \$108.6 million, which is an \$8.0 million decrease from the same period in the prior year. The decrease in income before income taxes was primarily due to an \$8.0 million decrease in operating income and an \$8.0 million decrease in the equity in net loss (gain) of affiliates, all of which were partially offset by a \$7.9 million increase in other (gain) loss.

Operating income decreased \$8.0 million primarily due to a \$5.9 million increase in the net reimbursable deficit from franchised and managed properties and a \$2.7 million decrease in franchise and management fees.

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

Franchise and Management Fees

Domestic royalty fees decreased \$3.7 million to \$121.3 million for the three months ended June 30, 2025 from \$125.0 million for the three months ended June 30, 2024. The decrease in domestic royalty fees was primarily due to a 2.9% domestic system-wide RevPAR decrease as a result of a 1.8% decrease in average daily rates and a 70 basis points decrease in occupancy during the current period, which was partially offset by a system-wide 8 basis points increase in the effective royalty rate from 5.04% for the three months ended June 30, 2024 to 5.12% for the three months ended June 30, 2025.

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		
	June 30, 2025			June 30, 2024			Average Daily Rate	Occupancy	RevPAR
	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR			
Upscale & Above ⁽¹⁾	\$ 152.54	60.5 %	\$ 92.24	\$ 156.20	62.0 %	\$ 96.88	(2.3)%	(150) bps	(4.8)%
Midscale & Upper Midscale ⁽²⁾	102.08	59.4 %	60.64	104.11	60.2 %	62.71	(1.9)%	(80) bps	(3.3)%
Extended Stay ⁽³⁾	66.89	71.2 %	47.62	64.38	74.0 %	47.63	3.9 %	(280) bps	— %
Economy ⁽⁴⁾	71.42	50.1 %	35.80	72.33	49.6 %	35.86	(1.3)%	50 bps	(0.2)%
Total	\$ 97.65	59.6 %	\$ 58.22	\$ 99.40	60.3 %	\$ 59.95	(1.8)%	(70) bps	(2.9)%

⁽¹⁾ Includes Ascend Hotel Collection, Cambria, Park Plaza, Radisson, Radisson Blu, Radisson Individuals, and Radisson RED brands.

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

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

⁽⁴⁾ Includes Econo Lodge and Rodeway brands.

A summary of the domestic hotels and rooms by brand in our franchise system as of June 30, 2025 and 2024 was as follows:

	June 30, 2025		June 30, 2024		Variance			
	Hotels	Rooms	Hotels	Rooms	Hotels	%	Rooms	%
Ascend Hotel Collection	231	38,537	203	23,109	28	13.8 %	15,428	66.8 %
Cambria Hotels	75	10,222	74	10,209	1	1.4 %	13	0.1 %
Radisson ⁽¹⁾	53	9,928	60	14,177	(7)	(11.7)%	(4,249)	(30.0)%
Comfort ⁽²⁾	1,659	130,208	1,670	131,167	(11)	(0.7)%	(959)	(0.7)%
Quality Inn	1,593	115,638	1,625	118,739	(32)	(2.0)%	(3,101)	(2.6)%
Country	408	32,704	422	33,633	(14)	(3.3)%	(929)	(2.8)%
Sleep Inn	407	28,483	422	29,696	(15)	(3.6)%	(1,213)	(4.1)%
Clarion ⁽³⁾	186	19,014	186	19,598	—	— %	(584)	(3.0)%
Park Inn	13	1,302	8	775	5	62.5 %	527	68.0 %
WoodSpring Suites	270	32,521	246	29,639	24	9.8 %	2,882	9.7 %
MainStay Suites	139	10,098	130	9,202	9	6.9 %	896	9.7 %
Suburban Studios	111	9,137	110	9,332	1	0.9 %	(195)	(2.1)%
Everhome Suites	17	1,952	4	449	13	325.0 %	1,503	334.7 %
Econo Lodge	620	36,149	658	38,602	(38)	(5.8)%	(2,453)	(6.4)%
Rodeway	441	24,669	458	25,756	(17)	(3.7)%	(1,087)	(4.2)%
Total Domestic Franchises	6,223	500,562	6,276	494,083	(53)	(0.8)%	6,479	1.3 %

⁽¹⁾ Includes the Radisson, Radisson Blu, Radisson Individuals, and Radisson RED brands.

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

⁽³⁾ Includes the Clarion family of brand extensions, including Clarion and Clarion Pointe.

International royalty fees increased \$0.5 million to \$7.8 million for the three months ended June 30, 2025 from \$7.3 million for the three months ended June 30, 2024. The increase in international royalty fees was primarily due to an increase in the international franchise system size by 48 hotels (from 1,210 hotels as of June 30, 2024 to 1,258 hotels as of June 30, 2025) and 6,858 rooms (from 136,980 rooms as of June 30, 2024 to 143,838 rooms as of June 30, 2025), which was partially offset by a decrease in international RevPAR.

Selling, General and Administrative

Selling, general and administrative expenses increased \$0.6 million primarily due to a \$2.0 million increase in operating guarantee payments for a portfolio of managed hotels, which was acquired in connection with the Company's purchase of Radisson Hotels Americas, and general increases in costs to operate the franchising business, all of which were partially offset by a \$2.4 million litigation settlement that was recognized during the three months ended June 30, 2024.

[Table of Contents](#)

Other (Gain) Loss

Other (gain) loss increased \$7.9 million primarily due to a \$3.1 million increase in the Company's deferred compensation assets based on increases in the fair value of the underlying investments, a \$1.5 million increase in foreign currency translation gains, and a \$3.2 million unrealized loss on investments in equity securities that was recognized during the three months ended June 30, 2024.

Equity in Net Loss (Gain) of Affiliates

Equity in net loss (gain) of affiliates decreased \$8.0 million primarily due to a distribution from an unconsolidated affiliate, which sold its underlying assets, resulting in the recognition of a \$7.2 million gain during the three months ended June 30, 2024.

Income Tax Expense

The Company's effective income tax rates were 24.7% and 25.3% for the three months ended June 30, 2025 and 2024, 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.

Comparison of the Operating Results for the Six Months Ended June 30, 2025 and 2024

(in thousands)	Six Months Ended	
	June 30,	
	2025	2024
REVENUES		
Franchise and management fees	\$ 322,154	\$ 323,213
Partnership services and fees	52,445	47,207
Owned hotels	58,088	53,409
Other	35,843	38,024
Revenue for reimbursable costs from franchised and managed properties	290,773	305,252
Total revenues	759,303	767,105
OPERATING EXPENSES		
Selling, general and administrative	163,508	160,998
Business combination, diligence and transition costs	446	16,739
Depreciation and amortization	27,172	25,652
Owned hotels	43,479	40,027
Reimbursable expenses from franchised and managed properties	320,169	330,918
Total operating expenses	554,774	574,334
Operating income	204,529	192,771
OTHER EXPENSES AND INCOME, NET		
Interest expense	43,978	44,026
Interest income	(3,015)	(4,146)
Other (gain) loss	(4,938)	3,880
Equity in net loss (gain) of affiliates	131	(7,778)
Total other expenses and income, net	36,156	35,982
Income before income taxes	168,373	156,789
Income tax expense	42,105	38,644
Net income	\$ 126,268	\$ 118,145

Results of Operations

For the six months ended June 30, 2025, the Company recognized income before income taxes of \$168.4 million, which is an \$11.6 million increase from the same period in the prior year. The increase in income before income taxes is primarily due to an \$11.8 million increase in operating income and an \$8.8 million increase in other (gain) loss, all of which were partially offset by a \$7.9 million decrease in equity in net loss (gain) of affiliates.

[Table of Contents](#)

Operating income increased \$11.8 million primarily due to a \$5.2 million increase in partnership services and fees and a \$16.3 million decrease in business combination, diligence and transition costs, all of which were partially offset by a \$3.8 million increase in the net reimbursable deficit from franchised and managed properties, a \$2.2 million decrease in other revenue, and a \$2.5 million increase in selling, general and administrative expenses.

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

Franchise and Management Fees

Domestic royalty fees decreased \$2.1 million to \$215.8 million for the six months ended June 30, 2025 from \$217.9 million for the six months ended June 30, 2024. The decrease in domestic royalty fees was primarily due to a 0.7% domestic system-wide RevPAR decrease as a result of a 0.3% decrease in average daily rates and a 20 basis points decrease in occupancy, which was partially offset by a system-wide 7 basis points increase in the effective royalty rate from 5.04% for the six months ended June 30, 2024 to 5.11% for the six months ended June 30, 2025.

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

	Six Months Ended			Six Months Ended			Change		
	June 30, 2025			June 30, 2024					
	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR
Upscale & Above ⁽¹⁾	\$ 146.63	55.2 %	\$ 80.91	\$ 150.14	56.5 %	\$ 84.90	(2.3)%	(130) bps	(4.7)%
Midscale & Upper Midscale ⁽²⁾	98.52	54.6 %	53.78	99.16	54.9 %	54.45	(0.6)%	(30) bps	(1.2)%
Extended Stay ⁽³⁾	66.79	69.5 %	46.44	62.98	71.5 %	45.03	6.0 %	(200) bps	3.1 %
Economy ⁽⁴⁾	70.73	46.9 %	33.19	69.66	46.2 %	32.20	1.5 %	70 bps	3.1 %
Total	\$ 94.48	55.3 %	\$ 52.25	\$ 94.79	55.5 %	\$ 52.61	(0.3)%	(20) bps	(0.7)%

⁽¹⁾ Includes Ascend Hotel Collection, Cambria, Park Plaza, Radisson, Radisson Blu, Radisson Individuals, and Radisson RED brands.

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

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

⁽⁴⁾ Includes Econo Lodge and Rodeway brands.

International royalty fees increased \$0.2 million to \$14.4 million for the six months ended June 30, 2025 from \$14.2 million for the six months ended June 30, 2024. The increase in international royalty fees was primarily due to an increase in the size of the international franchise system by 48 hotels (from 1,210 hotels as of June 30, 2024 to 1,258 hotels as of June 30, 2025) and 6,858 rooms (from 136,980 rooms as of June 30, 2024 to 143,838 rooms as of June 30, 2025), which was partially offset by a decrease in international RevPAR.

Partnership Services and Fees

Partnership services and fees increased \$5.2 million primarily due to an increase in the fees generated from the Company's co-branded credit card agreement and qualified vendors.

Other Revenues

Other revenues decreased \$2.2 million primarily due to a decrease in liquidated damages resulting from the early termination of franchise agreements.

Selling, General and Administrative

Selling, general and administrative expenses increased \$2.5 million primarily due to a \$2.0 million increase in operating guarantee payments for a portfolio of managed hotels, which was acquired in connection with the Company's purchase of Radisson Hotels Americas, and general increases in costs to operate the franchising business, all of which were partially offset by a \$2.4 million litigation settlement that was recognized during the six months ended June 30, 2024.

Business Combination, Diligence and Transition Costs

Business combination, diligence and transition costs decreased \$16.3 million primarily due to the termination of the Wyndham acquisition pursuit on March 8, 2024.

Other (Gain) Loss

Other (gain) loss increased \$8.8 million primarily due to an \$8.4 million unrealized loss on investments in equity securities that was recognized during the six months ended June 30, 2024.

Equity in Net Loss (Gain) of Affiliates

Equity in net loss (gain) of affiliates decreased \$7.9 million primarily due to a distribution from an unconsolidated affiliate, which sold its underlying assets, resulting in the recognition of a \$7.2 million gain during the six months ended June 30, 2024.

Income Tax Expense

The Company's effective income tax rates were 25.0% and 24.6% for the six months ended June 30, 2025 and 2024, 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 June 30, 2025, the Company's primary sources of liquidity consisted of \$587.5 million in cash and cash equivalents and available borrowing capacity under the senior unsecured revolving credit facility. As of June 30, 2025, 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 primarily engage 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 \$667.5 million in financial support of the Cambria Hotels and Everhome Suites brands reflected in the consolidated balance sheet as of June 30, 2025. 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 June 30, 2025, the Company had 3.0 million shares remaining under the current share repurchase authorization. The projected 2025 annual dividend rate is \$1.15 per share or approximately \$53.5 million in aggregate dividend payments, which is subject to future declarations by our board of directors.

Cash Flows from Operating Activities

During the six months ended June 30, 2025 and 2024, the net cash provided by operating activities was \$116.1 million and \$113.6 million, respectively. Our operating cash flows increased \$2.5 million primarily due to a decrease in business combination, diligence and transition costs associated with the timing of the termination of the Wyndham acquisition pursuit during the first quarter of 2024 and a decrease in the franchise agreement acquisition cost payments, 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 agreement 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, then 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 six months ended June 30, 2025 and 2024, the Company's net franchise agreement acquisition costs were \$41.5 million and \$52.0 million, respectively.

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 the payroll costs at the managed hotels where the Company is the employer. These activities are reflected in revenue for reimbursable costs from franchised and managed properties and reimbursable expenses from franchised and managed properties. During the six months ended June 30, 2025 and 2024, reimbursable expenses from franchised and managed properties exceeded revenue for reimbursable costs from franchised and managed properties by \$29.4 million and \$25.7 million, respectively.

Cash Flows from Investing Activities

The net cash used in investing activities was \$95.1 million and \$62.0 million for the six months ended June 30, 2025 and 2024, respectively.

During the six months ended June 30, 2025 and 2024, investments in owned hotel properties totaled \$65.7 million and \$50.9 million, respectively. These investments related to the ongoing hotel development efforts to support the continued growth of the Cambria Hotels and Everhome Suites brands. During the six months ended June 30, 2025 and 2024, investments in other property and equipment totaled \$18.3 million and \$22.7 million, respectively. These investments primarily related to leasehold improvements, office equipment, and capitalized software.

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 six months ended June 30, 2025 and 2024, the Company invested \$9.4 million and \$19.5 million, respectively, to support these efforts.

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 six months ended June 30, 2025, the Company issued \$3.4 million in notes receivable loans and received \$2.8 million in notes receivable loan repayments. During the six months ended June 30, 2024, the Company issued \$1.5 million in notes receivable loans and received \$1.7 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, and the payment of dividends.

Debt

Senior Unsecured Revolving Credit Facility

On June 28, 2024, the Company entered into a Second Amended and Restated Senior Unsecured Credit Agreement (the "Restated Credit Agreement"), which amended and restated the Company's existing amended and restated senior unsecured credit agreement dated August 20, 2018 (the "Former Credit Agreement"). The Former Credit Agreement provided for an \$850 million unsecured revolving credit facility (the "Revolver") with a final maturity date of August 20, 2026. The Restated Credit Agreement increased the commitments under the Revolver to \$1 billion and extended the final maturity date of the Revolver to June 28, 2029, subject to optional one-year extensions that can be requested by the Company prior to each of the third, fourth, and fifth anniversaries of the closing date of the Restated Credit Agreement.

The effectiveness of such extension is subject to the consent of the lenders under the Restated Credit Agreement and certain customary conditions. The Restated Credit Agreement also provides that up to \$50 million of borrowings under the Revolver may be used for alternative currency loans, up to \$10 million of capacity under the Revolver may be used for the issuance of letters of credit, and up to \$25 million of borrowings under the Revolver may be used for swingline loans. The Company may from time to time designate one or more wholly-owned subsidiaries of the Company as additional borrowers under the Restated Credit Agreement, subject to the consent of the lenders and certain customary conditions.

At any time prior to the final maturity date, the Company may increase the amount of the Revolver or add one or more term loan facilities under the Restated Credit Agreement by up to an additional \$500 million in the aggregate to the extent that any one or more lenders commit to being a lender for the additional amount of such increase or the term loan facility and certain other customary conditions are met.

The Restated Credit Agreement allows the Company to elect to have the Revolver bear interest at a rate equal to (i) the secured overnight financing rate (subject to a credit spread adjustment of 0.10% and a 0.00% floor) plus a margin ranging from 0.90% to 1.50% or (ii) a base rate plus a margin ranging from 0.00% to 0.50%. In each case, the margin is determined according to the Company's senior unsecured long-term debt rating or under 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 the Company to pay a fee on the total commitments under the Revolver, calculated on the basis of the actual daily amount of the commitments under the Revolver (regardless of usage) times a percentage per annum ranging from 0.075% to 0.25% (depending on the Company's senior unsecured long-term debt rating or under specific 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 with respect to restrictions on liens, incurring indebtedness, making dividends and stock repurchases, making investments and effecting mergers and/or asset sales. The Restated Credit Agreement imposes financial maintenance covenants requiring the Company to maintain a consolidated fixed charge coverage ratio of at least 2.5 to 1.0 and a total leverage ratio of not more than 4.5 to 1.0, which may be increased up to two nonconsecutive occasions to 5.5 to 1.0 for up to four consecutive fiscal quarters commencing with the fiscal quarter in which certain material acquisitions are consummated. So long as the Company maintains an Investment Grade Rating, as defined in the Restated Credit Agreement, then the Company will not need to comply with the consolidated fixed charge coverage ratio covenant.

The Restated Credit Agreement includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of the Company under the Restated Credit Agreement to be immediately due and payable. As of June 30, 2025, the Company maintained a total leverage ratio of 2.91x, including outstanding debt of approximately \$466.8 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, 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 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.

2024 Senior Unsecured Notes Due 2034

On July 2, 2024, the Company issued unsecured senior notes with a principal amount of \$600 million (the "2024 Senior Notes") at a discount of \$6.4 million, bearing a coupon of 5.85%, with an effective rate of 6.11%, and mature on August 1, 2034. Interest on the 2024 Senior Notes is payable semi-annually on February 1st and August 1st of each year, commencing on February 1, 2025. The interest rate payable on the 2024 Senior Notes will be subject to adjustment based on certain rating events.

The Company may redeem the 2024 Senior Notes, in whole or in part, at any time prior to their maturity at the redemption price, which includes a make-whole premium. If the 2024 Senior Notes are redeemed on or after May 1, 2034 (three months prior to the applicable maturity date), then the redemption price will be equal to 100% of the principal amount of the 2024 Senior Notes being redeemed plus accrued and unpaid interest thereon to the redemption date. Additionally, at the option of the holders of the 2024 Senior Notes, the Company may be required to repurchase all or a portion of the holder's 2024 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.

2023 Term Loan Due 2024

On December 18, 2023, the Company entered into a \$500 million unsecured term loan with an effective interest rate of 6.83% and a maturity date of December 16, 2024 (the "2023 Term Loan").

The term loan agreement required 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 had financial covenants which required 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 have been 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 maintained an Investment Grade Rating, as defined in the term loan agreement, then the Company would not need to comply with the consolidated fixed charge coverage ratio covenant. The Company was in compliance with all covenants upon the repayment in full of the 2023 Term Loan.

On July 2, 2024, the Company used a portion of the net proceeds from the sale of the 2024 Senior Notes, after deducting underwriting discounts and commissions and other offering expenses, to repay in full the 2023 Term Loan.

2020 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 15th and July 15th of each year. 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.

2019 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 1st and June 1st of each year. 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.

[Table of Contents](#)

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.

Dividends

During the six months ended June 30, 2025, the Company paid \$26.9 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, 2025 is projected to be \$1.15 per share or approximately \$53.5 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, 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 & Redemptions

The Company has a share repurchase program. Treasury stock activity is recorded at cost in the consolidated balance sheets. During the six months ended June 30, 2025, the Company repurchased 0.7 million shares of its common stock under the share repurchase program at a total cost, including accrued excise tax, of \$100.4 million. In total, the Company has repurchased 62.0 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 \$2.7 billion. Considering the effect of the two-for-one stock split, the Company has repurchased 95.0 million shares at an average price of \$28.81 per share. As of June 30, 2025, the Company had 3.0 million shares remaining under the current share repurchase authorization.

During the six months ended June 30, 2025, the Company redeemed 0.1 million shares of common stock at a total cost of \$9.6 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 six months ended June 30, 2025, the Company received proceeds of \$6.4 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, 2024. During the six months ended June 30, 2025, 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, 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; 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 our marketing and reservation systems and other operating systems; our ability to grow our franchise system; exposure to risks related to our hotel development, financing, franchise agreement acquisition costs 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. These and other risk factors are discussed in detail in Item 1A. Risk Factors 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, 2024, filed with the SEC on February 20, 2025. 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 \$52.6 million and \$49.3 million as of June 30, 2025 and December 31, 2024, 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 June 30, 2025, the Company had \$470.0 million of variable interest rate debt instruments outstanding at an effective interest rate of 5.72%. A hypothetical change of 10% in the Company's effective interest rate from the June 30, 2025 levels would increase or decrease annual interest expense by \$2.7 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 material derivative financial instruments.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

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

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

An evaluation was performed under the supervision and with the participation of the Company's CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2025.

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 June 30, 2025 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

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, 2024, 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 six months ended June 30, 2025. Refer to the Liquidity and Capital Resources section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

Period	Total Number of Shares Purchased or Redeemed	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2025 through January 31, 2025	129,106	\$ 143.45	129,106	3,648,021
February 1, 2025 through February 28, 2025	96,825	149.77	96,825	3,551,196
March 1, 2025 through March 31, 2025	230,211	137.68	162,828	3,388,368
April 1, 2025 through April 30, 2025	191,086	125.18	190,693	3,197,675
May 1, 2025 through May 31, 2025	163,110	129.86	162,851	3,034,824
June 1, 2025 through June 30, 2025	1,080	110.90	304	3,034,520
Total	811,418	\$ 135.49	742,607	3,034,520

⁽¹⁾ During the six months ended June 30, 2025, the Company redeemed 68,811 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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Director and Officer Trading Arrangements

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

ITEM 6. EXHIBITS

Exhibit Number and Description

Exhibit Number	Description
3.01(a)	Restated Certificate of Incorporation of Choice Hotels Franchising, Inc. (renamed Choice Hotels International, Inc.)
3.02(b)	Amendment to the Restated Certificate of Incorporation of Choice Hotels International, Inc. dated April 26, 2013
3.03(c)	Amendment to the Restated Certificate of Incorporation of Choice Hotels International, Inc., dated May 16, 2024
3.04(c)	Second Amended and Restated Bylaws of Choice Hotels International, Inc., dated as of May 16, 2024
10.1(d)†	Choice Hotels International, Inc. 2025 Long-Term Incentive Plan
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

† Indicates a management contract or compensatory plan.

- (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 May 15, 2024, filed May 17, 2024.
- (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 May 15, 2025, filed May 15, 2025.

SIGNATURES

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

CHOICE HOTELS INTERNATIONAL, INC.

August 6, 2025

By:

/s/ PATRICK S. PACIOUS

Patrick S. Pacious
President & Chief Executive Officer

CHOICE HOTELS INTERNATIONAL, INC.

August 6, 2025

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.

August 6, 2025

/s/ PATRICK S. PACIOUS

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.

August 6, 2025

/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 June 30, 2025 filed by Choice Hotels International, Inc. with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

August 6, 2025

/s/ PATRICK S. PACIOUS

Patrick S. Pacious
President & Chief Executive Officer

August 6, 2025

/s/ SCOTT E. OAKSMITH

Scott E. Oaksmith
Chief Financial Officer