Choice Hotels Calls on Wyndham Hotels & Resorts to Engage in Discussions

Choice Sees a Clear Path to Completion and Remains Committed to the Transaction

Ready to Move Expeditiously to Provide Requisite Transaction Certainty

Strongly Urges Wyndham to Return to the Negotiating Table

ROCKVILLE, Md., Oct. 25, 2023 /PRNewswire/ -- Choice Hotels International, Inc. (NYSE: CHH) (the "Company" or "Choice"), today called upon the board of directors of Wyndham Hotels & Resorts, Inc. (NYSE: WH) ("Wyndham") to engage in good faith discussions so that shareholders of both companies can benefit from the compelling combination.

Patrick Pacious, President and Chief Executive Officer of Choice, said, "We appreciate the positive feedback we have received since first making our proposal public, particularly the support from both companies' shareholders and franchisees. Through our conversations with these stakeholders, we are encouraged by their clear understanding of the natural fit of the two businesses and belief in the combined company's ability to drive greater shareholder returns, franchisee profitability, and strategic benefits. They, and others, share our perspective that a transaction is pro-competitive, has a clear path to completion, and creates a combined company with a strong free cash flow profile to support both rapid deleveraging and investments for growth."

Mr. Pacious continued, "We respect Wyndham's desire to achieve the best outcome for its shareholders, but that can't happen if Wyndham unilaterally ends our discussions. Both companies' shareholders have expressed to us their understanding of the tremendous value this combination could deliver. As recently as a few weeks ago, Wyndham prepared a critical information request list, on which both parties broadly aligned, to help Choice and Wyndham close any remaining value gaps. Wyndham then disengaged before any information was exchanged. We therefore strongly urge Wyndham to return to the discussions. Choice is ready to move expeditiously to negotiate binding terms, including mechanisms to provide market standard protections for Wyndham shareholders."

Choice Management's Track Record of Value Creation

The compelling proposal of $90.00 per share represents a 14.9x multiple of Wyndham's consensus 2023 EBITDA estimates, a forward multiple that Wyndham has never achieved absent COVID disruptions. Furthermore, the consideration mix would allow Wyndham shareholders to both realize immediate value creation and share in the significant upside potential of the combined company. The $150 million synergy opportunity alone is expected to translate into more than $2 billion in shareholder value creation.

The Choice management team has a strong history of shareholder value creation through organic growth and acquisitions. Since 2017, the Choice management team has delivered market-leading revenue and Adjusted EBITDA growth CAGR of approximately 10% and successfully integrated the Radisson and WoodSpring Suites acquisitions. Additionally, the Choice management team has driven strong stock price performance compared to Wyndham's performance since its spin-off in 2018, generating three times the value for its shareholders. Choice's stock has historically traded at a higher multiple of approximately three turns compared to Wyndham, which would allow Wyndham shareholders to participate in incremental value creation following the completion of the transaction. From 2019 to 2022, Choice's unique strategy generated Adjusted EBITDA growth of 28% compared to

Wyndham's 6%.

Choice believes its existing offer rewards Wyndham shareholders well in excess of the present value that could be achieved through a rational Wyndham standalone plan.

Transaction is Pro-Competitive and has a Clear Path to Completion

The combined company would enhance competition against larger industry participants with strong balance sheets and an established market presence across multiple segments. Many of these competitors have launched brands focused on the Economy and Midscale segments and are actively marketing to hotel owners in those segments. Large, branded alternatives for hotel owners and guests are already present across the Economy and Midscale segments, including Best Western, Extended Stay America, G6 (Motel 6), Oyo, Red Roof Inn, and Sonesta, which would continue to provide multiple options to both current franchisees or hotel owners considering adopting a brand. Many hotel owners choose to be independent and in fact, independent hotels comprise nearly two-thirds of the Economy segment and close to 40% of the Midscale segment.

Significantly, unlike businesses with centralized pricing, all Choice and Wyndham hotel franchisees have complete autonomy to set their own prices. This consumer-friendly, pro-competitive structure would continue following transaction close. Franchisees, most of whom are small business entrepreneurs, are expected to receive significant benefits from the expanded system size and synergies that a Choice-Wyndham combination would provide. The proposed transaction is expected to lower franchisee costs by increasing direct bookings and create a rewards program on par with the top two global hotel rewards programs. Reducing reliance on third-party distribution channels and increasing rewards member guests has been a proven formula for improving hotel profitability. For these reasons, we were not surprised that many of our and Wyndham's franchisees have expressed their support for the proposed transaction.

Strong Pro Forma Financial Profile of Combined Company

The proposed transaction combines two complementary hotel franchising companies, accelerating opportunities for sustained long-term growth. The combined company's asset-light franchising model generates durable and predictable free cash flow that provides financial strength and stability for stakeholders. The combined company's significant Adjusted EBITDA margin expansion and high free cash flow is expected to support pro-competitive growth investments. On a pro forma synergized basis, the combined company is expected to generate pro forma free cash flow of approximately $1 billion in 2024, which would enable the combined company to rapidly reduce leverage while investing for growth.

Additional materials regarding Choice's proposal are available on the Company's investor relations page, investor.choicehotels.com, and at CreateValueWithChoice.com.

Advisors

Moelis & Company LLC and Wells Fargo are serving as financial advisors to Choice and Willkie Farr & Gallagher LLP is serving as legal advisor.

About Choice Hotels®

Choice Hotels International, Inc. (NYSE: CHH) is one of the leading lodging franchisors in the world. Choice® has nearly 7,500 hotels, representing almost 630,000 rooms, in 46 countries and territories. A diverse portfolio of 22 brands that range from full-service upper upscale properties to midscale, extended stay and economy enables Choice® to meet travelers' needs in more places and for more occasions while driving more value for franchise owners and shareholders. The award-winning Choice Privileges® loyalty program and co-brand credit card options provide members with a fast and easy way to earn reward nights and personalized perks. For more information, visit www.Choicehotels.com.

Forward-Looking Statements

Information set forth herein includes "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 include, but are not limited to, the ultimate outcome of any possible transaction between Choice and Wyndham (including the possibility that the parties will not agree to pursue a business combination transaction or that the terms of any definitive agreement will be materially different from those described herein); uncertainties as to whether Wyndham will cooperate with Choice regarding the proposed transaction; Choice's ability to consummate the proposed transaction with Wyndham; the conditions to the completion of the proposed transaction, including the receipt of any required shareholder approvals and any required regulatory approvals; Choice's ability to finance the proposed transaction with Wyndham; Choice's indebtedness, including the substantial indebtedness Choice expects to incur in connection with the proposed transaction with Wyndham and the need to generate sufficient cash flows to service and repay such debt; the possibility that Choice may be unable to achieve expected synergies and operating efficiencies within the expected timeframes or at all and to successfully integrate Wyndham's operations with those of Choice, including the Choice loyalty program; the possibility that Choice may be unable to achieve the benefits of the proposed transaction for its franchisees, associates, investors and guests within the expected timeframes or at all, including that such integration may be more difficult, time-consuming or costly than expected; that operating costs and business disruption (without limitation, difficulties in maintaining relationships with associates, guests or franchisees) may be greater than expected following the proposed transaction or the public announcement of the proposed transaction; and that the retention of certain key employees may be difficult. Such statements may relate to projections of the company's revenue, expenses, adjusted EBITDA, earnings, debt levels, ability to repay outstanding indebtedness, payment of dividends, repurchases of common stock and other financial and operational measures, including occupancy and open hotels, RevPAR, the company's ability to benefit from any rebound in travel demand, and the company's 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.

These and other risk factors that may affect Choice's operations are discussed in detail in the company's filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and, as applicable, our Quarterly Reports on Form 10-Q. Choice undertakes 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.

Non-GAAP Financial Measurements and Other Definitions

The company evaluates its operations utilizing, among others, the performance metric adjusted EBITDA, which is a non-GAAP financial measurement. This measure should not be considered as an alternative to any measure of performance or liquidity as promulgated under or authorized by GAAP, such as net income. The company's calculation of this measurement may be different from the calculations used by other companies, including Wyndham, and comparability may therefore be limited. We discuss management's reasons for reporting this non-GAAP measure and how it is calculated below.

In addition to the specific adjustments noted below with respect to adjusted EBITDA, the non-GAAP measures presented herein also exclude restructuring of the company's operations including employee severance benefit, income taxes and legal costs, acquisition related due diligence, transition and transaction costs, and gains/losses on sale/disposal and impairment of assets primarily related to hotel ownership and development activities to allow for period-over-period comparison of ongoing core operations before the impact of these discrete and infrequent charges.

Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization: Adjusted EBITDA reflects net income excluding the impact of interest expense, interest income, provision for income taxes, depreciation and amortization, franchise-agreement acquisition cost amortization, other (gains) and losses, equity in net income (loss) of unconsolidated affiliates, markto-market adjustments on non-qualified retirement plan investments, share based compensation expense (benefit) and surplus or deficits generated by reimbursable revenue from franchised and managed properties. We consider adjusted EBITDA and adjusted EBITDA margins to be an indicator of operating performance because it measures our ability to service debt, fund capital expenditures, and expand our business. We also use these measures, as do analysts, lenders, investors, and others, to evaluate companies because it excludes certain items that can vary widely across industries or among companies within the same industry. For example, interest expense can be dependent on a company's capital structure, debt levels, and credit ratings, and share based compensation expense (benefit) is dependent on the design of compensation plans in place and the usage of them. Accordingly, the impact of interest expense and share based compensation expense (benefit) on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. These measures also exclude depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets or amortizing franchise-agreement acquisition costs. These differences can result in considerable variability in the relative asset costs and estimated lives and, therefore, the depreciation and amortization expense among companies. Mark-to-market adjustments on non-qualified retirement-plan investments recorded in SG&A are excluded from EBITDA, as the company accounts for these investments in accordance with accounting for deferred-compensation arrangements when investments are held in a rabbi trust and invested. Changes in the fair value of the investments are recognized as both compensation expense in SG&A and other gains and losses. As a result, the changes in the fair value of the investments do not have a material impact on the company's net income. Surpluses and deficits generated from reimbursable revenues from franchised and managed properties are excluded, as the company's franchise and management agreements require these revenues to be used exclusively for expenses associated with providing franchise and management services, such as central reservation and property-management systems, hotel employee and operating costs, reservation delivery and national marketing and media advertising. Franchised and managed property owners are required to reimburse the company for any deficits generated from these activities and the company is required to spend any surpluses generated in future periods. Since these activities will be managed to break-even over time, quarterly or annual surpluses and deficits have been excluded from the measurements utilized to assess the company's operating performance.

RevPAR: RevPAR is calculated by dividing hotel room revenue by the total number of room nights available to guests for a given period. Management considers RevPAR to be a meaningful indicator of hotel performance and therefore company royalty and system revenues as it provides a metric correlated to the two key drivers of operations at a hotel: occupancy and ADR. The company calculates RevPAR based on information as reported by its franchisees. To accurately reflect RevPAR, the company may revise its prior years' operating statistics for the most current information provided. RevPAR is also a useful indicator in measuring performance over comparable periods.

Additional Information

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended. This communication relates to a proposal that Choice has made for a business combination transaction with Wyndham. In furtherance of this proposal and subject to future developments, Choice (and, if applicable, Wyndham) may file one or more registration statements, proxy statements, tender or exchange offers or other documents with the Securities and Exchange Commission (the "SEC"). This communication is not a substitute for any proxy statement, registration statement, tender or exchange offer document, prospectus or other document Choice and/or Wyndham may file with the SEC in connection with the proposed transaction.

Investors and security holders of Choice and Wyndham are urged to read the proxy statement(s), registration statement, tender or exchange offer document, prospectus and/or other documents filed with the SEC carefully in their entirety if and when they become available as they will contain important information about the proposed transaction. Any definitive proxy statement(s) or prospectus(es) (if and when available) will be mailed to shareholders of Choice and/or Wyndham, as applicable. Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Choice through the web site maintained by the SEC at www.sec.gov, and by visiting Choice's investor relations site at www.investor.choicehotels.com.

This communication is neither a solicitation of a proxy nor a substitute for any proxy statement or other filings that may be made with the SEC. Nonetheless, Choice and its directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. You can find information about Choice's executive officers and directors in the Annual Report on Form 10-K for the year ended December 31, 2022 filed by Choice with the SEC on March 1, 2023. Additional information regarding the interests of such potential participants will be included in one or more registration statements, proxy statements, tender or exchange offer documents or other documents filed with the SEC if and when they become available. These documents (if and when available) may be obtained free of charge from the SEC's website at www.sec.gov and by visiting Choice's investor relations site at www.investor.choicehotels.com.

SOURCE Choice Hotels International, Inc.

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