



Radisson Poliforum Plaza Hotel, Leon, Mexico

Q2 2023 Earnings Presentation

August 8, 2023

Forward-looking Statements

Certain matters discussed in this presentation constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as “expect,” “estimate,” “believe,” “anticipate,” “should,” “will,” “forecast,” “plan,” “project,” “assume,” or similar words of futurity. All statements other than historical facts are forward-looking statements. These forward-looking statements are based on management’s current beliefs, assumptions and expectations regarding future events, which, in turn, are based on information currently available to management. Such statements may relate to projections of the company’s revenue, expenses, adjusted EBITDA, earnings, debt levels, ability to repay outstanding indebtedness, payment of dividends, repurchases of common stock and other financial and operational measures, including occupancy and open hotels, RevPAR, 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.

Several factors could cause actual results, performance or achievements of the company to differ materially from those expressed in or contemplated by the forward-looking statements. Such risks include, but are not limited to, changes to general, domestic and foreign economic conditions, including access to liquidity and capital; the company’s ability to successfully integrate Radisson Hotels Americas’ employees and operations; the ability to realize the anticipated benefits and synergies of the acquisition of Radisson Hotels Americas as rapidly or to the extent anticipated; the resurgence of the COVID-19 pandemic, including with respect to new strains or variants, and the related impact on the global hospitality industry, particularly but not exclusively the U.S. travel market; changes in consumer demand and confidence, including the potential for long-term adverse changes in consumer sentiment with respect to travel as a result of the pandemic; the timing and amount of future dividends and share repurchases; future domestic or global outbreaks of epidemics, pandemics or contagious diseases or fear of such outbreaks; changes in law and regulation applicable to the travel, lodging or franchising industries, including with respect to the status of the relationship with employees of our franchisees; foreign currency fluctuations; impairments or declines in the value of the company’s assets; operating risks common in the travel, lodging or franchising industries; changes to the desirability of our brands as viewed by hotel operators and customers; changes to the terms or termination of our contracts with franchisees and our relationships with our franchisees; our ability to keep pace with improvements in technology utilized for marketing and reservations systems and other operating systems; the commercial acceptance of our Software-as-a-Service technology solutions division’s products and services; our ability to grow our franchise system; exposure to risks related to our hotel development, financing and ownership activities; exposures to risks associated with our investments in new businesses; fluctuations in the supply and demand for hotel rooms; our ability to realize anticipated benefits from acquired businesses; impairments or losses relating to acquired businesses; the level of acceptance of alternative growth strategies we may implement; the impact of inflation; cyber security and data breach risks; climate change and sustainability related concerns; ownership and financing activities; hotel closures or financial difficulties of our franchisees; operating risks associated with our international operations; labor shortages; the outcome of litigation; and our ability to effectively manage our indebtedness, and secure our indebtedness, including additional indebtedness incurred as a result of the acquisition of Radisson Hotels Americas. These and other risk factors are discussed in detail in the company’s filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and, as applicable, our Quarter Reports on Form 10-Q. 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.



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Country Inn & Suites, Smithfield-Selma, NC

1 Business Update

Second Quarter 2023 Performance Recap Update

System Growth



Domestic¹

+12%
rooms YoY

International

+12%
rooms YoY

New hotels added within a brand generated:

+20% Higher
royalty revenue versus hotels exiting the brand²

Pipeline Expansion



Global Overall

>93,000 rooms
+10% YoY

Global Conversion

+14% YoY

Domestic Overall

>87,000 rooms
+9% YoY

Domestic Conversion

+10% YoY

Effective Royalty Rate



+6 bps
vs. Q2 '22

RevPAR Growth



+12%
vs. Q2 '19
+50 bps vs. Q2 '22

Exceeded 2019 RevPAR levels for **25** consecutive months

Integration



~600

Radisson Americas hotels onboarded on Choice Hotels' reservation delivery engine

CHOICE privileges

2 award-winning programs integrated

* All results include the impact of the Radisson Americas acquisition. All figures reflect domestic results, except where otherwise noted. For comparative purposes, domestic RevPAR and the effective royalty rate baseline for 2019 and 2022 is inclusive of the Radisson Americas acquisition. Throughout this presentation, Radisson Hotels Americas is referred to as Radisson Americas.

1. For the higher revenue upscale, midscale, and extended-stay segments. Total number of domestic rooms increased 9% from June 30, 2022.
2. In Q2 '23, on average.



Upscale

- **Cambria Hotels ranked #1** in Upscale Guest Satisfaction by J.D. Power¹
- **32% YoY domestic unit growth** driven by the acquisition of Radisson Americas and the growth of Cambria Hotels and the Ascend Hotel Collection
- **83% increase** in number of hotel **openings** YoY²
- **Expanded** domestic **pipeline** by **27%** YoY



Extended Stay

- **WoodSpring Suites ranked #1** in Economy Extended Stay Guest Satisfaction by J.D. Power³
- Increased **WoodSpring Suites' domestic pipeline** by **32%** YoY
- Expanded **domestic pipeline** to **450 units** (including **over 60 Everhome Suites**), a **17%** increase YoY
- Projecting more than **15% CAGR in units** over the next 5 years



Midscale

- **Unveiled room refresh** for Country Inn and Suites
- **Comfort Family** brand registered **14 straight quarters of unit growth** since its successful refresh
- **Grew** domestic upper-midscale **portfolio by 24%** YoY, reaching **~2,300 units**
- **42% increase** in the number of hotel **openings** YoY²

* All results refer to second quarter 2023.

1. Cambria Hotels received the highest score among upscale hotels in the J.D. Power 2023 North America Hotel Guest Satisfaction Index Study of customers' satisfaction with their hotel stay. Visit [jdpower.com/awards](https://www.jdpower.com/awards) for more details.

2. Year-to-date through June 30, 2023.

3. WoodSpring Suites received the highest score among economy extended stay hotels in the J.D. Power 2023 North America Hotel Guest Satisfaction Index Study of customers' satisfaction with their hotel stay. Visit [jdpower.com/awards](https://www.jdpower.com/awards) for more details.

2

Financial Summary and Highlights



Second Quarter 2023 Financial Performance

Revenues

\$427.4M

Total revenues
Quarterly record

+16%

YoY

\$28.8M

Platform & procurement
services fees

+32%

YoY

\$140.5M

Royalty, licensing &
management fees

+16%

YoY



Profitability

\$153.1M

Adj. EBITDA¹
Quarterly record

+18%

YoY

\$1.75

Adj. diluted EPS

+22%

YoY



Integration Synergies



\$80M

of annual recurring synergies
achieved

Share Repurchases



>\$655M

representing

10% of shares outstanding²

Leverage



2.7x

Reported leverage ratio
below the target of 3-4x

* All results include the impact of the Radisson Americas acquisition.

1. Reported net income was \$84.7 million for the second quarter 2023.

2. Over the trailing twelve months ended June 30, 2023, the company repurchased 5.6 million shares of common stock totaling over \$655 million, representing 10% of the shares outstanding as of June 30, 2022.

Choice Hotels maintains a disciplined approach to capital allocation and is committed to driving long-term shareholder value

1



Growth Initiatives

Increase the entire platform's value, and maintain Choice Hotels' competitive strength with discretionary investments for organic growth

EXAMPLES:

- Comfort transformation
- New brand launches (e.g., Clarion Pointe, Everhome Suites), strategic redesign/refresh (e.g., Suburban Studios, Country Inn) and prototypes (e.g., Cambria, Comfort, Sleep Inn)
- Marketing and distribution technology (e.g., new revenue management capability)

2



M&A

Disciplined approach to potential M&A opportunities based on our ability to:

- Improve profitability for existing franchisees
- Accelerate revenue growth

EXAMPLES:

- Radisson Americas (2022)
- WoodSpring Suites (2018)
- Suburban (2005)
- Econo Lodge and Rodeway (1990)
- Clarion (1986)

3



Capital Management

Opportunistically return excess cash to shareholders through dividends and share repurchases

First lodging company to return to pre-pandemic dividend levels

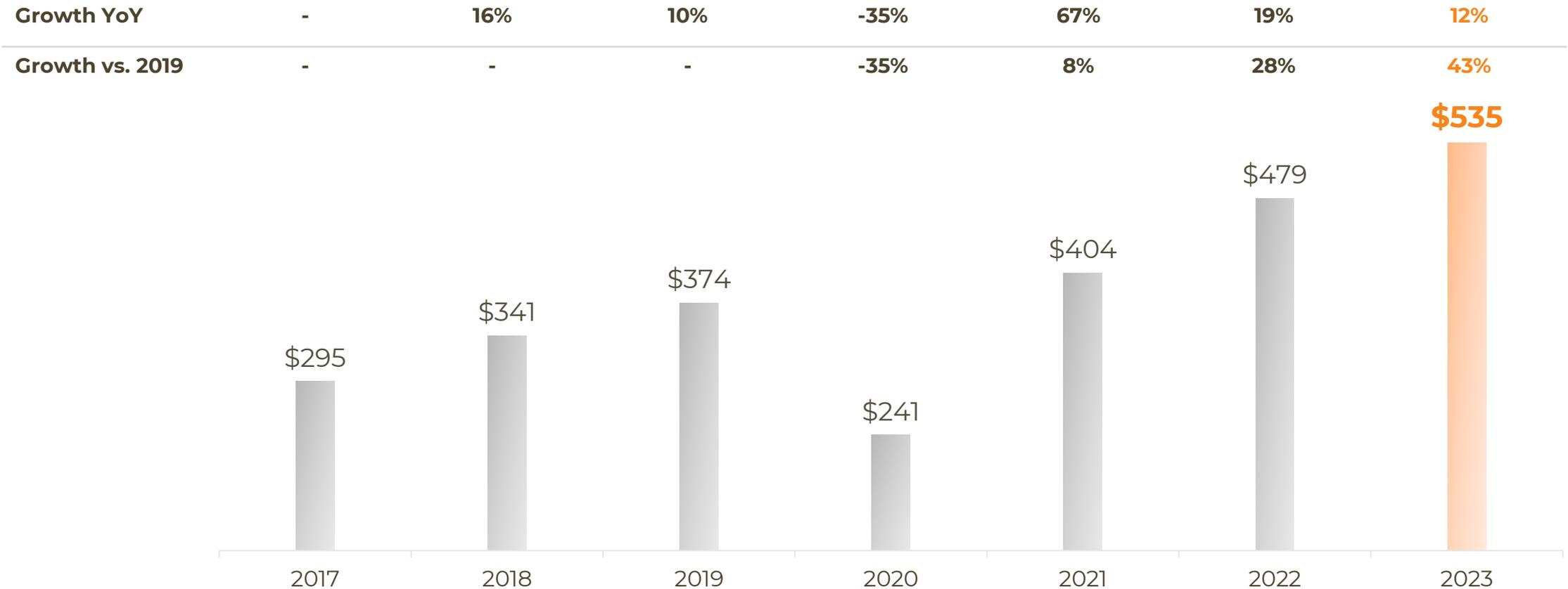
EXAMPLES:

- Returned **over \$655 million** to shareholders through the share repurchase program, representing **10%** of shares outstanding¹

Even with continued organic and inorganic investment as well as capital returns, the company is still below its target leverage ratio of 3x to 4x

With the exception of COVID-impacted 2020, Choice Hotels has delivered double-digit profitability growth every year since 2017; profitability in 2023 is expected to be 43% higher than 2019 levels and over 80% higher than 2017 levels

Profitability (as Reported Adjusted EBITDA) and Growth Rates



* Note: 2023 Adjusted EBITDA equals midpoint of updated guidance; all figures are as reported on each Q4/FY earnings release.



3 Outlook

The company is expecting to grow adjusted EBITDA by 12% at the midpoint of the guidance, year-over-year and expects an additional 10% growth in 2024

FY 2023 Guidance

Adj. EBITDA¹

Raised midpoint of guidance upward by **\$2.5M**

\$530M – \$540M

+12% vs. FY '22 **+43%** vs. FY '19

Adj. Diluted EPS

\$5.86 – \$6.01

+13% vs. FY '22

RevPAR Growth²

approx. 2%

vs. FY '22

approx. 15%

vs. FY '19

Effective Royalty Rate Growth³

mid-single digits

vs. FY '22

Unit Growth⁴

approx. 1%

vs. FY '22

2023 Revenue Sensitivities

1% Increase in RevPAR
= **\$4.9M** in royalties

1 bps Increase in effective royalty rate
= **\$1M** in royalties

1% Increase in unit growth in the higher revenue segments⁴
= **\$4.5M** in royalties

1% Increase in unit growth in economy transient segment
= **just under \$400K** in royalties

* All figures include the impact of the Radisson Americas acquisition.

1. Net Income is expected to range between \$251 million and \$259 million for full-year 2023, assuming an effective tax rate of 24%.

2. For comparative purposes, domestic RevPAR baseline for full-year 2022 and 2019 is inclusive of the Radisson Americas acquisition.

3. For comparative purposes, the domestic effective royalty rate 4.93% baseline for full-year 2022 is inclusive of the Radisson Americas acquisition.

4. Represents the company's upscale, midscale, and extended-stay segments.



4 Appendix



Non-GAAP Financial Measurements and Other Definitions

The company evaluates its operations utilizing the performance metrics of adjusted EBITDA, adjusted selling, general and administrative (SG&A) expenses, revenues excluding reimbursable revenue from franchised and managed properties, adjusted net income, and adjusted EPS, which are all non-GAAP financial measurements. These measures, which are reconciled to the comparable GAAP measures in Exhibit 6, 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, SG&A, EPS and total revenues. The company's calculation of these measurements may be different from the calculations used by other companies and comparability may therefore be limited. We discuss management's reasons for reporting these non-GAAP measures and how each non-GAAP measure is calculated below.

In addition to the specific adjustments noted below with respect to each measure, 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, performance under limited debt payment guaranties 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 SG&A, Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization: Adjusted SG&A and 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, mark-to-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.

Adjusted Net Income and Adjusted Earnings Per Share: Adjusted net income and EPS exclude the impact of surpluses or deficits generated from reimbursable revenue from franchised and managed properties. Surpluses and deficits generated from reimbursable revenue from franchised and managed properties are excluded, as the company's franchise agreements require these revenues to be used exclusively for expenses associated with providing franchised and managed 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 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. We consider adjusted net income and adjusted EPS to be indicators of operating performance because excluding these items allow for period-over-period comparisons of our ongoing operations.

Revenues, Excluding Reimbursable Revenue from Franchised and Managed Properties: The company reports revenues, excluding reimbursable revenue from franchised and managed properties. These non-GAAP measures we present are commonly used measures of performance in our industry and facilitate comparisons between the company and its competitors. Reimbursable revenues from franchised and managed properties are excluded, as the company's franchise and management agreements require 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. Franchisees 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.

Non-GAAP Financial Measurements and Other Definitions

Occupancy

Occupancy represents the total number of room nights sold divided by the total number of room nights available at a hotel for a given period. Occupancy measures the utilization of the hotels' available capacity. Management uses occupancy to gauge demand at a specific hotel or group of hotels in a given period. The company calculates occupancy based on information as reported by its franchisees. To accurately reflect occupancy, the company may revise its prior years' operating statistics for the most current information provided.

Average Daily Rate (ADR)

ADR represents hotel room revenue divided by the total number of room nights sold for a given period. ADR measures the average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in the industry, and management uses ADR to assess pricing levels that the company is able to generate. The company calculates ADR based on information as reported by its franchisees. To accurately reflect ADR, the company may revise its prior years' operating statistics for the most current information provided.

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.

Pipeline

Pipeline is defined as hotels awaiting conversion, under construction or approved for development, and master development agreements committing owners to future franchise development.

Reconciliation of Non-GAAP Measures

ADJUSTED NET INCOME AND ADJUSTED DILUTED EARNINGS PER SHARE (EPS)

<i>(\$thousands)</i>	Q2 2023*	Q2 2022*	FY 2023*	FY 2022*
Net income	\$ 84,710	\$ 106,168	\$ 261,700	\$ 332,150
Adjustments:				
Loss on extinguishment of debt	-	-	-	-
Loss on impairment of unconsolidated joint ventures	-	-	-	(12,208)
(Gain) Loss on sale of business & assets, and impairments, net	-	(2,473)	-	-
Operational restructuring charges	2,331	-	29,400	5,103
Due diligence and transition costs	5,947	2,691	-	24,976
Exceptional allowances attributable to COVID-19	-	-	-	(943)
Net reimbursable surplus from franchised and managed properties	(5,050)	(26,510)	5,900	(39,233)
Sale of tax credits on historic building	-	-	-	-
Extraordinary termination fees from franchisee	-	-	-	(17,212)
Adjusted Net Income	\$ 89,112	\$ 79,876	\$ 297,000	\$ 292,633
Diluted Earnings Per Share	\$ 1.65	\$ 1.89	\$ 5.10	\$ 5.99
Adjustments:				
Loss on extinguishment of debt	-	-	-	-
Loss on impairment of unconsolidated joint ventures	-	-	-	(0.22)
Gain on sale of business & assets, and impairments, net	-	(0.04)	-	-
Operational restructuring charges	0.05	-	0.58	0.09
Exceptional allowances attributable to COVID-19	-	-	-	(0.02)
Net reimbursable surplus from franchised and managed properties	(0.09)	(0.47)	0.12	(0.71)
Limited payment guarantee change	0.02	-	-	-
Extraordinary termination fees from franchisee	-	-	-	(0.31)
Due diligence and transition costs	0.12	0.05	-	0.45
Adjusted Diluted Earnings Per Share (EPS)	\$ 1.75	\$ 1.43	\$ 5.80	\$ 5.27



Reconciliation of Non-GAAP Measures

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA")

<i>(\$thousands)</i>	Q2 2023*	Q2 2022*	FY 2023*	FY 2022*	FY 2019*
Net income	\$ 84,710	\$ 106,168	\$ 254,800	\$ 332,150	\$ 222,878
Income taxes	27,837	35,958	81,800	104,654	47,051
Interest expense	16,270	11,252	64,200	43,797	46,807
Interest income	(2,056)	(1,628)	(7,100)	(7,288)	(9,996)
Other (gains) losses	(2,187)	(5,559)	(3,700)	7,018	(4,862)
Loss on extinguishment of debt	-	-	-	-	7,188
Equity in operating net loss of affiliates, net of impairments	(185)	40	(1,600)	(1,916)	9,576
Loss on impairment of unconsolidated joint ventures	-	-	-	(16,065)	-
Gain on sale of business & assets, and impairments, net	-	(3,280)	-	-	14,930
Depreciation and amortization	9,812	5,479	49,200	30,425	18,828
Mark to market adjustments on non-qualified retirement plan investments	2,051	(4,835)	3,900	(5,929)	4,798
Operational restructuring charges	3,082	-	42,100	6,714	1,466
Share-based compensation	6,007	4,613	20,400	19,137	8,759
Due diligence and transaction costs	7,867	3,569	-	32,863	-
Exceptional allowances attributable to COVID-19	-	-	-	(1,241)	-
Extraordinary termination fees from franchisees	-	-	-	(22,647)	-
Net reimbursable surplus from franchised and managed properties	(4,388)	(35,536)	18,600	(52,102)	1,713
Limited payment guarantee charge	1,551	-	1,600	-	-
Franchise agreement acquisition costs amortization	2,736	2,196	10,800	8,995	4,484
Adjusted EBITDA	\$ 153,108	\$ 129,554	\$ 535,000	\$ 478,566	\$ 373,516

REVENUES, EXCLUDING REIMBURSABLE REVENUE FROM FRANCHISED AND MANAGED PROPERTIES AND EXTRAORDINARY TERMINATION FEES FROM FRANCHISEE

<i>(\$thousands)</i>	Q2 2023	Q2 2022	FY 2022	FY 2019
Total revenues	\$ 427,420	\$ 367,974	\$ 1,401,948	\$ 1,114,820
Adjustments:				
Reimbursable revenue from franchised and managed properties	(199,645)	(189,382)	(682,612)	(577,426)
Extraordinary termination fees from franchisee	-	-	(22,647)	-
Revenues, excluding reimbursable revenue from franchised and managed properties and extraordinary fees from franchisee	\$ 227,776	\$ 178,592	\$ 696,689	\$ 537,394

