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# Choice Hotels International, Inc.

Q4 2025 Earnings

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**CORPORATE SPEAKERS:**

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**Allie Summers**

*Choice Hotels International, Inc.; Senior Director of Investor Relations*

**Patrick Pacious**

*Choice Hotels International, Inc.; President and Chief Executive Officer*

**Scott Oaksmith**

*Choice Hotels International, Inc.; Chief Financial Officer*

## **PARTICIPANTS:**

**Michael Bellisario**

*Baird; Analyst*

**Elizabeth Dove**

*Goldman Sachs; Analyst*

**Daniel Politzer**

*JPMorgan; Analyst*

**David Katz**

*Jefferies; Analyst*

**Robin Farley**

*Unit Bank Switzerland; Analyst*

**Charles Scholes**

*Truist Securities; Analyst*

**Raymond Bowers**

*Wells Fargo; Analyst*

**Meredith Prichard Jensen**

*HSBC; Analyst*

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## **PRESENTATION:**

Operator^ Ladies and gentlemen, thank you for standing by. Welcome to Choice Hotels International Fourth Quarter and Full Year 2025 Earnings Call. (Operator Instructions)

I will now turn the call over to Allie Summers, Senior Director of Investor Relations.

Allie Summers^ Good morning and thank you for joining us. Before we begin, please note that today's discussion includes forward-looking statements as defined under U.S. securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied. For more information, please refer to our filings with the SEC, including our most recent Forms 10-K and 10-Q. These statements speak only as of today and we undertake no obligation to update them.

A reconciliation of any non-GAAP financial measures referenced in today's remarks is included in our earnings press release available on the Investor Relations section of [choicehotels.com](http://choicehotels.com).

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Joining me this morning are Pat Pacious, our President and Chief Executive Officer, and Scott Oaksmith, our Chief Financial Officer. Pat will discuss our business performance and strategic progress, and Scott will review our financial results and outlook.

And with that, I will turn the call over to Pat.

Patrick Pacious^ Thank you, Allie. And good morning, everyone. We appreciate you joining us today. In 2025, we delivered adjusted EBITDA of \$626 million, up 4% year-over-year and grew adjusted earnings per share, both in line with our expectations. These results reflect the continued strength of our higher revenue brand mix, accelerating earnings contribution from our international portfolio, robust group demand, business travel growth and sustained momentum across our partnership revenue streams.

2025 was also a year of meaningful progress in advancing our long-term growth strategy. We delivered 14% year-over-year growth in global hotel openings, expanded our international footprint at a double-digit pace and further strengthened our leadership position in the attractive extended-stay segment, achieving record U.S. openings.

When we look at our existing hotels, the success of our overall strategy to improve product quality and strengthen franchisee economics can best be seen in the higher average royalty rate we were able to achieve across the U.S. portfolio, which increased 8 basis points in 2025 and 10 basis points in the fourth quarter.

On the consumer front, we are particularly excited by the recent launch of the next evolution of our Choice Privileges loyalty platform, and the launch next quarter of a dedicated digital platform for small and mid-sized businesses.

Our hotel development pipeline remains a powerful engine for future earnings growth, supported by strong developer interest with global franchise agreements awarded up 22% year-over-year in 2025. Today 97% of rooms in our global pipeline are in higher revenue brands, and these projects are expected to be roughly 1.7x more accretive than our current portfolio, driven by RevPAR premiums, higher average royalty rates and larger average room counts.

Importantly, our advantage is not only pipeline quality, but execution speed. Our conversion-led model accelerates openings and revenue realization, with certain hotels opening without ever appearing in quarter end pipeline metrics. That execution strength is especially evident in the U.S., where pipeline conversion rooms increased 12% sequentially from September 30, 2025.

Our conversion engine remains a key differentiator for Choice, enabling those hotels to open about 5x faster than new construction hotels. In the fourth quarter, U.S.

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conversion franchise agreements increased 12% year-over-year, and we expect conversion activity to be a core driver of improving U.S. net room growth in 2026.

As we indicated on our last call, we have been actively optimizing our U.S. portfolio throughout the year. With developer demand remaining constructive, including full year U.S. mid-scale and economy franchise agreements up 5% year-over-year, we accelerated the selective exit of underperforming hotels in the fourth quarter. These properties generated royalties well below our portfolio average and ranked predominantly in the bottom quartile of guest satisfaction within their brands.

This improving portfolio mix strengthens the system's earnings profile and positions us to backfill those markets with higher-quality hotels that deliver stronger unit economics for owners and more durable long-term growth for shareholders. With a larger hotel conversion pipeline and a higher volume of conversions expected to open in 2026 and based on current year-to-date trends, we believe U.S. net rooms growth is positioned to return to positive territory this year.

Looking ahead, we're increasingly constructive on U.S. lodging demand in our segments. Our core customer continues to prioritize travel within their overall spending with a clear focus on affordability. Choice has long been strategically positioned at the center of value-driven travel.

In the current environment, that consumer recognition supports our ability to capture incremental share within the segment. As gas prices have declined to their lowest level in five years, bringing them back within pre-pandemic ranges, road trips are becoming more budget-friendly for our consumers. In addition, tax relief expected to reach middle-income households this year has historically provided significant stimulus for travel within our segments.

Importantly, the timing of the relief aligns with the start of the summer travel season, the most meaningful period for our owners. Furthermore, upcoming national events including the 2026 FIFA World Cup, the U.S. 250th anniversary and the Route 66 Centennial provide additional demand catalysts.

More broadly, we are benefiting from a limited new supply industry backdrop and steady workforce-based travel demand tied to infrastructure, manufacturing and data center investment alongside favorable long-term demographic trends. With expected continued demand growth in several of our strong consumer segments including retirees, road trippers and America's blue and gray collar workforce, combined with an improved portfolio of purpose-built hotels to serve them, we believe Choice is well positioned to capture this demand and deliver durable long-term growth.

Turning to our business outside the U.S. We view specific international markets as an increasingly important driver of our growth. In 2025, our international business delivered exceptional results. Over the past several years, we've deliberately built the foundation

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for scalable, high-return international growth. Today directly franchised rooms represent more than 40% of our international portfolio. That number is up over 20 percentage points over the past three years, materially enhancing earnings per unit and overall economics. With that foundation in place, momentum accelerated in 2025.

We delivered 37% growth in international revenues, driven by portfolio expansion and positive RevPAR growth across every region. We expanded our international system by 13% year-over-year to approximately 160,000 rooms, outpacing our prior growth assumptions, supported by an 82% increase in hotel openings.

In the Americas outside the U.S., RevPAR increased 5.4% year-over-year in 2025. Within that region, Canada remains a key focus with the rooms pipeline growing 49% year-over-year. As we continue to enhance the Choice value proposition in Canada under a direct franchising model, we see a meaningful opportunity to drive both system growth and stronger franchise economics over time. In EMEA, rooms increased 13% year-over-year to approximately 70,000 including nearly doubling our footprint in France through direct franchising. Taken together, our international business is entering its next phase with greater scale, stronger unit economics and a meaningful runway for sustained growth.

Another important growth engine for us is the U.S. extended-stay segment. In the fourth quarter, we delivered our 10th consecutive quarter of double-digit system growth. Today the extended-stay segment represents more than 40% of our U.S. pipeline and is characterized by longer average stays, higher margins for owners and greater earnings stability across cycles.

In 2025, we achieved a record number of U.S. extended-stay hotel openings, up 8% year-over-year, driven by our Everhome Suites brand. Despite a challenging construction environment, we ended the year with approximately 57,000 extended-stay rooms in the United States. With continued investment in manufacturing capacity and data center infrastructure nationwide and the largest under-construction hotel pipeline in the economy and mid-scale extended-stay segments, we believe Choice is well positioned to extend its leadership in this structurally resilient category.

Our portfolio strategy is also strengthening our economy brands. Our guest satisfaction scores improved significantly across the segment. And as quality improvements take hold, we are replacing lower-performing assets with higher quality, more profitable hotels, enhancing brand equity across the category. As a result, our economy transient hotels outperformed their chain scales in RevPAR and gained RevPAR index share versus competitors in 2025. That performance reinforced developer confidence with our U.S. economy transient rooms pipeline expanding 6% quarter-over-quarter and U.S. franchise agreements awarded up 13% year-over-year in 2025.

These trends are expected to drive improvement in the segment's net room growth trajectory. In our mid-scale segment, developer interest remains strong with global

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franchise agreements awarded up 14% year-over-year in 2025. The redesigned Country Inn & Suites by Radisson prototype optimized for cost efficiency and conversion flexibility has reinvigorated the brand, driving a 50% increase in U.S. franchise agreements in 2025 and expanding the U.S. pipeline by 18% year-over-year. With that momentum and a compelling owner value proposition, we believe the brand is well positioned for growth in 2026.

Let me now turn to the efforts we are focused on that are strengthening franchisee economics and driving higher customer lifetime value. Among our targeted investments, two key areas are business travel and guest loyalty. In business travel, we've expanded our global sales capabilities and deepened relationships with corporate accounts. Business travelers now represent roughly 40% of total stays, supporting a balanced mix across cycles.

In 2025, group revenue increased 35% year-over-year and small and mid-sized business revenue grew 13%, led by resilient sectors such as construction, utilities and high-tech manufacturing. Our AI-enabled RFP tools are accelerating hotel responsiveness and driving high-value bookings. And next quarter, we expect to launch a dedicated digital platform for small and mid-sized businesses, targeting an estimated \$13 billion addressable opportunity.

We also continue to elevate the lifetime value of the guests we serve. Today half of our U.S. guests have household incomes above \$100,000 and one in five exceeds \$200,000, an increasingly attractive customer base for our franchisees and partners. Loyalty remains a powerful driver of customer lifetime value. Choice Privileges now exceeds 74 million members, up 7% year-over-year, with international enrollment up 11% in 2025, our strongest year internationally.

Our most loyal members stay nearly twice as often, spend more per stay and are significantly more likely to book direct. In January 2026, we launched the next evolution of Choice Privileges, broadening how members earn and engage. We introduced a faster path to status by reducing night thresholds and added a spend-based pathway that allows co-brand card usage to contribute toward elite qualification.

We also introduced a new top-tier status and added return and earn bonuses to encourage additional stays within the same year, reflecting research that shows our travelers value more frequent and attainable recognition. Together, these enhancements are designed to increase repeat frequency and deepen co-brand card engagement, enabling Choice to capture a greater share of demand within our core customer base. Early indicators are encouraging with post-launch enrollments trending at a faster rate than last year.

We are also actively expanding how travelers discover and book our hotels by partnering with leading technology platforms as AI reshapes travel search and booking behavior. We are collaborating with companies including Google on its AI-powered

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travel planning capabilities and OpenAI through participation in its ChatGPT advertising pilot, among others. Early engagement in these emerging channels strengthens our distribution and positions us to capture incremental demand and remain highly visible as consumer search behavior continues to evolve.

As we look ahead, Choice is well positioned for continued growth. Our disciplined execution, technology forward strategy and asset-light fee-based model continue to generate substantial free cash flow, enabling us to reinvest in high-return initiatives while delivering value to shareholders. With a higher quality portfolio, a more accretive development pipeline, expanding international business and targeted investments that strengthen franchisee economics and guest lifetime value, we believe Choice is positioned to grow market share and deliver durable earnings expansion.

With that, I'll turn the call over to our CFO. Scott?

Scott Oaksmith^ Thanks, Pat. And good morning, everyone. I will cover three areas this morning: our fourth quarter and full year 2025 financial results, our balance sheet and capital allocation priorities and our outlook for full year 2026. For full year 2025, we delivered adjusted EBITDA of \$626 million, up 4% year-over-year and in line with the midpoint of our guidance range.

Adjusted earnings per share for the full year were \$6.94 per share, also in line with the midpoint of our guidance range. Growth was driven by our continued leadership in the higher revenue extended stay segment, robust average royalty rate, significant expansion of our international business and strong partnership revenue performance. These results reflect the strength of our diversified revenue streams and the early returns from our targeted strategic investments.

In fourth quarter 2025, revenues, excluding reimbursable revenue from franchised and managed properties increased 2% year-over-year to \$234 million. Adjusted EBITDA was \$141 million and adjusted earnings per share rose 3% year-over-year to \$1.60.

Let's turn to the three key drivers of our royalty fees, rooms growth, RevPAR performance and average royalty rate. In the fourth quarter, we grew our global rooms 0.5% year-over-year, led by 1.2% growth in our higher revenue segments and highlighted by a 42% increase in hotel openings. In the U.S., we opened more than 22,000 gross rooms during the year, and our conversion pipeline increased 7% year-over-year as of December 31.

This healthy level of openings and development activity provided us flexibility to accelerate select hotel exits. From an economic standpoint, the trade-off is clear. In 2025, hotels that exited the system generated U.S. RevPAR more than 20% below the company average. Improving portfolio mix enhances long-term earnings quality and positions U.S. net rooms growth to return to positive territory in 2026.

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We also saw continued strength in franchisee retention with U.S. contract renewal activity in 2025, matching prior all-time highs, reflecting sustained confidence in the Choice brands. Across our focus segments in the fourth quarter, developer interest for our extended stay brands remained robust with 26% growth in global extended stay franchise agreements year-over-year.

As of today, we have 27 Everhome Suites hotels opened in the U.S. including 18 opened during 2025, with 38 additional projects in the U.S. pipeline. In mid-scale, we increased global hotel openings by 47%. We also executed 18% more global mid-scale franchise agreements year-over-year, driven by our Quality Inn, Country Inn and Suites by Radisson and Sleep brands. In the upscale segment, we expanded our global rooms portfolio by 7% year-over-year, highlighted by 48% more global upscale hotel openings. Our Ascend Collection hotel openings increased 58% year-over-year, and the brand now exceeds 75,000 rooms worldwide. In the U.S., we more than doubled Radisson franchise agreements year-over-year and grew rooms pipeline by 32% quarter-over-quarter.

I also want to recognize our teams for completing the integration of our Canadian operations in just six months. We transitioned the business to a direct franchising model, enabling franchisees to fully leverage Choice's commercial platform while enhancing our effective franchise agreement economics over time. We are already seeing early momentum on the development front including a recent multiunit agreement for approximately 700 upscale Ascend Collection rooms in Quebec. Turning to RevPAR performance.

Our global RevPAR declined 4.6% year-over-year in the fourth quarter on a currency-neutral basis. As discussed on the prior call this was driven by the tougher hurricane comparison in the U.S. Southeast from the prior year. International performance remained strong with RevPAR up 3.2% year-over-year on a currency-neutral basis. The Asia Pacific region led with 11% growth. In the U.S., we lapped a 540 basis point hurricane-related benefit from the prior year.

Excluding that impact, U.S. RevPAR declined 2.2% year-over-year, representing a modest sequential improvement from the prior two quarters. Our fourth quarter results were also affected by the government shutdown and continued softness in international inbound travel. Despite these pressures, we achieved occupancy share index gains versus our competitors on a full year basis, excluding hurricane-related distortions, our U.S. Extended Stay segment outperformed the industry RevPAR by 30 basis points. Our U.S. transient economy segment outperformed its chain scale RevPAR by 80 basis points, while gaining RevPAR index share versus competitors in 2025.

Moving to royalty rate, our third driver of royalty fee growth. In 2025, we exceeded our full year U.S. average royalty rate guidance, finishing the year up 8 basis points including a 10 basis point increase year-over-year in the fourth quarter. This expansion reflects our success in growing higher revenue brands and the continued improvement

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in our franchisee value proposition. We remain confident in the upward trajectory of system-wide royalty rates, supported by sustained demand generation investments and a development pipeline characterized by higher contracted royalty rates and stronger unit economics.

Turning to our partnership business which remains a key priority. In 2025, we delivered a 14% year-over-year growth in partnership revenues including 16% growth in the fourth quarter. Performance was driven primarily by co-brand fees and increased supplier and strategic partnership fees.

As we enhance our franchisee-facing service offerings, adoption remains strong, supporting durable growth in our non-RevPAR franchise fees across the broad range of services we provide. Together, these revenue streams meaningfully diversify our earnings base and represent an attractive high-margin growth opportunity going forward. At the same time we remain focused on margins through improved productivity and operational efficiency. Adjusted SG&A increased approximately 3% for the full year, in line with our guidance to \$283 million, reflecting cost discipline while continuing to invest in strategic initiatives.

Now turning to the balance sheet and capital allocation. We ended the year with total liquidity of \$571 million and net debt to trailing 12-month EBITDA of 3x, and we are comfortably within our targeted gross leverage range of three to 4x. For full year 2025, we generated more than \$270 million of operating cash flow including nearly \$86 million in the fourth quarter. This cash generation, combined with our strong balance sheet, provides meaningful financial flexibility.

Our capital allocation framework remains consistent and disciplined. We prioritize high-return organic investments that strengthen our brands and drive long-term growth, evaluate selective acquisitions where returns are compelling and return excess capital to shareholders. Our dividend reflects a stable recurring commitment, while share repurchases are executed with a disciplined focus, balancing shareholder returns with reinvestment opportunities that meet our return thresholds. In 2025, we returned \$189 million to shareholders including \$54 million in dividends and \$136 million in share repurchases.

During the year, we repurchased approximately 1 million shares, representing more than 2% of our shares outstanding and ended the year with approximately 2.8 million shares remaining under our authorization or about 6% of shares outstanding. We also continue to deploy capital selectively to scale Cambria Hotels and Everhome Suites while recycling capital at the appropriate time. In 2025, we generated \$32 million in net proceeds from recycling activities, and our hotel development-related net outlays and lending declined \$46 million year-over-year to \$103 million.

Looking ahead, as both brands approach critical scale milestones, we expect hotel development net capital outlays to continue to decline significantly. This reflects the

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delivery of our final company-developed Cambria hotel in the third quarter of 2026 and our planned tapering of new Everhome Suites hotel development investments. In 2026, we expect continued recycling of existing hotel capital, resulting in net hotel development outlays of \$20 million to \$45 million, 70% lower at the midpoint than 2025 levels. Over the next several years, as hotel transaction activity improves, we expect additional recycling opportunities to emerge.

Before we open it up for questions, I'd like to walk through our expectations for 2026. For full year 2026, we expect adjusted EBITDA in the range of \$632 million and \$647 million, reflecting organic growth across higher revenue hotels and markets, strong royalty rate growth, sustained international momentum and further contribution from partnership and non-RevPAR revenues. We expect our adjusted diluted earnings per share for full year 2026 to be in the range of \$6.92 to \$7.14 per share.

Our outlook is based on the following key assumptions: Net global rooms growth of approximately 1% year-over-year, reflecting our expectation for U.S. net rooms growth to return to positive territory alongside continued international expansion. Consistent with the normal timing of same year conversion openings, U.S. net rooms growth is expected to be more heavily weighted towards the latter part of the year.

Global RevPAR in the range of negative 2% to positive 1% year-over-year in constant currency, with U.S. RevPAR between negative 2% and positive 1% average royalty rate growth in the mid-single digits year-over-year and adjusted SG&A increasing in the mid-single digits.

Our outlook excludes the impact of any additional M&A, share repurchases completed after December 31 or other capital markets activity. We remain focused on investing in high-return initiatives that enhance our long-term growth trajectory, improve returns for our franchisees and drive meaningful shareholder value.

With that, Pat and I are happy to take your questions. Operator?

### **QUESTIONS:**

Operator^ (Operator Instructions) Your first question comes from Michael Bellisario from Baird.

Michael Bellisario^ First question just for Scott, just one more on the spending outlook. Maybe you could just walk us through expectations for key money spending, CapEx and also JV investments in 2026 as well.

Scott Oaksmith^ Sure, Michael. Thanks for the question. So in terms of key money, as you saw in our release, we did spend less key money in 2025 than we did in 2024. We were about a net \$83 million compared to \$112 million in the prior year. So we were pleased to see that our average key money check size for our domestic system was

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down year-over-year as well as the number of deals that needed key money to be signed.

For 2026, we do think we'll see an acceleration of openings. So we do expect key money to increase off that base. That \$83 million did include some recovery. So our net -- our gross outlays for key money were about \$92 million. We would expect for 2026 for that number to be somewhere between \$105 million and \$110 million for 2026 in terms of key money.

In the recyclable capital, we had really, really good success of continuing to pull down that the use of capital there. Capital for 2025 was about \$103 million net, 30% lower than it was in the prior year. And as I said in the prepared remarks, we are tapering down the use of recyclable capital. So we expect that to drop another 70%. So we are guiding to a net use of capital of about \$20 million to \$45 million next year. So that will be a decline from the \$103 million we spent this year.

So as we've been talking to the Street over the last several years, that recycled capital was really around launching the growth in both the Cambria and the Everhome Suites brand. We've been very pleased with how those brands have grown with Cambria now over 75 hotels and Everhome really with a strong start. We feel we're in the place now that we can start tapering that capital. And as we taper the outlays, we also expect to see recycling improve here over the next couple of years as the transaction market improves in the overall U.S. hospitality industry.

Patrick Pacious^ And Mike, I would just add that the strategy underlying it all is as the value proposition for our franchisees has gotten better, the amount of key money per deal to attract new entrants is declining. And as Scott said, obviously as more hotels open and that key money actually gets used, that's a positive sign. Then just back on the capital for both Cambria and Everhome, the final chapter in all of this is to recycle it back to either higher investment initiatives or return it to shareholders. So we're really entering that phase with Cambria, and we'll be doing that this year with Everhome.

Michael Bellisario^ Got it. That's helpful. Then one related question sort of on the buyback front there. Just where does the balance sheet need to get to in order for you guys to be more aggressive or more programmatic with buybacks going forward? That's all for me. I think when you look--

Patrick Pacious^ Yes. When you look at last year, we took kind of a pause after we bought the other half of the Canadian JV. I mean that was basically about \$100 million worth of money going out to acquire that business. It's a market we've been in for 70 years, 30 years of that in a joint venture, and we've seen really fantastic early results on that, as Scott mentioned. We got the integration of that done at the end of 2025.

So we took a strategic pause during the summer months and then resumed it in Q4. I think when we look at it, we are always doing our normal investment prioritization and

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looking at ways to invest back in the business, looking at M&A as an opportunity. Then as those things provide additional capital, we look for share returns and dividends. So that's kind of the way we look at it. You've seen our net debt-to-EBITDA ratios which are in the range where we feel very comfortable. So that's how we will be thinking about it as we move forward in 2026.

Operator^ Your next question comes from Lizzie Dove from Goldman Sachs.

Elizabeth Dove^ I wanted to ask about your commentary around U.S. rooms growth returning to positive this year, just given that would be quite an improvement from where it was at least organically in 2025. Any more color on that or specific brands that you think will drive that?

Patrick Pacious^ Yes, Lizzie, it's a great question. As we mentioned in the remarks, we saw an increase in our both mid-scale and economy franchises awarded. They were both up 5% That, coupled with our conversion pipeline increasing by 12% in the fourth quarter. Then as we mentioned, we're seeing improvement in guest scores as well.

So the brand quality is getting better. That gave us the confidence in the fourth quarter to take some very targeted, deliberate and ultimately value-accretive exits which was really the story towards the end of 2025. When we look at 2026, there's a lot of constructive things that we see both in our pipeline today with regard to the brands, as you mentioned, the ones that we're really seeing a lot of uptick from a conversion perspective are Quality, Clarion, Clarion Pointe, (inaudible) Rodeway and Ascend. Those brands from a conversion perspective really performed well for us.

We're also seeing, as I mentioned in the remarks, Country Inn and the Suites by Radisson the redesigned prototype there is driving a lot more both new construction and conversion interest for that brand as well. So those are the drivers we expect to be from a brand perspective that will help us get back to that sort of positive territory we mentioned.

Elizabeth Dove^ Awesome. That's clear. Then just on the RevPAR side of things, in terms of what you're forecasting for domestic RevPAR outlook, you called out a couple of tailwinds or potential tailwinds from World Cup and stimulus, et cetera.

I'm just curious how much of that is kind of baked into what you're expecting for U.S. RevPAR growth this year or whether that's more kind of incremental upside if those come through?

Patrick Pacious^ Yes. I would say some of these -- if you look at the impacts that hit us last year, they were all transitory, whether it was the government shutdown, the lapping hurricane impact we had in Q4 which is continuing here into Q1 of -- continued into Q1 of 2025. So we have that comp in the first quarter of '26. Then weaker inbound travel

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from international markets. When I look at the potential for the upside here, it's really some things that are a little bit harder to measure.

If we look at the tax relief, the early returns are looking great. So far, the tax refunds that U.S. citizens are getting are up 11%. The overall tax relief that's come back so far this year on a year-over-year basis is up 18%. So we do know that the consumer has that stimulative backdrop for the first half of the year here which we think will be a real positive for us. When you look at international inbound, the dollar is the weakest it's been in four years.

So international inbound travel, the U.S. is on sale from that perspective. That also makes travel outside of the U.S. more expensive. So we would expect U.S. travelers to stay at home. So those things aren't necessarily baked in because they're a little bit harder to put into our guidance. But when we look at sort of where we are in the midpoint of that range we gave, that's sort of the backdrop for how we thought about some of the demand catalysts. But as I said, last year's weakness was primarily transitory. It was not structural, and we're very constructive on what we see from a RevPAR perspective in 2026.

Operator^ Your next question comes from Dan Politzer from JPMorgan.

Daniel Politzer^ I wanted to go back to the RevPAR expectations for 2026. It does sound like there's some hope for stimulus in there and certainly mid-scale and upper mid-scale seem to be promising. But I guess kind of as you think about the RevPAR cadence for the year, how should we think about it progressing as it relates to that guidance that you've laid out?

Patrick Pacious^ So one thing I think I think to look at, and we mentioned this on the prior call and we saw it in 2025 is the fact that our occupancy index for the entire year was positive. So when we've looked at cycles in the past, the first thing to recover is occupancy then followed by rate. So from the standpoint of going into the year, that is a really positive green shoot. The second thing we mentioned this on the last call and again we saw it in Q4 is the performance of the economy segment. As that segment improves and mid-scale improves and you get sort of an upward trajectory there. Again we saw that from a RevPAR perspective and from a RevPAR index perspective, we saw better performance in Q4 for our economy brands.

Then I would just say as you look at the first six weeks of the year here, if we look at the markets outside of the U.S., we're already seeing a 1.7% increase in RevPAR year-to-date. So that's without the hurricane impact in it. Then as we look at what's in that 1.7%, again it's driven by a 2.3% occupancy gain. So we are seeing that strength in our hotels able to sort of fill the rooms, and that usually then leads to the impact for the ability for them to begin to move ADR in the right direction.

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I think as the year lays out, traditionally, our Q2 and then our Q3, our Q3 is usually our highest demand RevPAR. And as I said in the remarks, that aligns nicely with the tax relief. It aligns nicely with the gas prices for road trippers as well. So we would expect that RevPAR increase to sort of improve as we move into the year in addition to the lapping of the hurricane impact that we're going to see here in Q1.

Scott Oaksmith^ Dan, just to add a little bit more color. We do expect Q1 RevPAR will still be negative given those hurricane impacts that we had, really, it's about 340 basis points to our results in the first quarter of last year. So we'll be lapping that, but we expect an inflection point in Q2 as we lap those hurricane -- those comps that Pat mentioned. So you'll see kind of more of a negative RevPAR in Q1 with an improving as the year goes on to reach our overall guidance. But as Pat mentioned, we're very optimistic given what we've seen on the non-hurricane states, given that that's positive RevPAR for those through the first 1.5 months of the year.

Daniel Politzer^ Got it. Then just for my follow-up, I think the footprint, you've talked about in the past removing some of the lower-performing properties off the platform, maybe that we're not complying with the guidelines or just underperforming in general. Have you basically cycled through that element of kind of culling the footprint? Or is there more to go there just as we think about that pathway to achieving U.S. domestic rooms growth in 2026?

Patrick Pacious^ Yes. It's something we do naturally. So it's always there as potential owners aren't performing or an asset becomes -- the owner wants to move that to a different -- either go independent or make it a different product altogether. So that's a natural, but we did accelerate some of that or I would say took some targeted ones in the fourth quarter. That was more of a onetime on really looking at where we can clean out markets where we know there's opportunity to backfill that with a higher quality, better performing hotel.

That impacts our average royalty rate. It impacts our guest satisfaction scores when we're able to upgrade the portfolio. It's something that the company has been doing for years. But in the fourth quarter, we saw some real positive signs from a growth perspective on the pipeline and also on new deals which gave us more confidence in the ability to sort of take out some of the lower performers. So I would say it was more of an outsized number in the fourth quarter, but our normal sort of 3% to 4% churn rate is kind of where we would likely get back to.

Daniel Politzer^ Is there any way to just give the fourth quarter number for that?

Patrick Pacious^ For the additional or the overall?

Daniel Politzer^ Just for the amount that we're kind of taking out as part of this initiative so we can kind of better get an idea of the organic.

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Patrick Pacious^ It was about 20 hotels. It's -- when you look at that, it's about 30 to 40 basis points of net unit growth.

Operator^ Your next question comes from David Katz from Jefferies.

David Katz^ Pat, I think you may have just touched on this a bit, but I wanted to get a sense for often when there's kind of a period of removals, it lasts for a period of time. How long do you expect this sort of offsetting removal process to take before we sort of settle into what -- and presumably, NUG would go up, right, once that process is a bit more completed, right?

Patrick Pacious^ Yes. Well that's why we feel we're going to get back to a positive NUG this year in the U.S. We'll be positive overall. But in that U.S. NUG number, we really are looking at what's in our pipeline today the franchise agreements we sold last year which were, as I said, in these primary areas where we're taking these additional exits, they're up 5%.

So we've seen that, and they're in the conversion part of the pipeline which was up 12% in the quarter. So that gave us the opportunity to say we know we have opportunity and interest for these markets for these brands. And so exiting these underperformers and the ability to backfill them is the strategy. When you look at our conversion hotels, they open anywhere between three and seven months.

So again, there's a lot of that that will be sold this year that's not yet in the pipeline that will open this year. So that's a historical fact about the type of -- as I mentioned, the speed of execution within our pipeline. So that's the way we think about it, David. I would say that what we did in Q4 was elevated more so than what we would normally do.

Scott Oaksmith^ I think David, the other thing -- we've been in a few years of no new construction across the U.S. industry. So the normal process is Pat talking about that we always want to make sure that we're making sure our portfolio is performing well is a little bit more enhanced in terms of terminations just because you don't see the new construction coming in. Typically, we have about a third of our openings are from new construction.

In the last couple of years, it's been more in the 15% to 20% just given the tougher U.S. development environment. So the calling of our system, our exits here to make sure we keep brand quality up is just a little bit more pronounced. But we expect our termination rates as we go forward in 2026 and 2027 to trend back to historical norms.

David Katz^ Understood. When we think about a much longer-term view, Pat, how do you see sort of the company getting to a normal NUG? I mean do you -- is it reasonable to aspire to where the NUG levels are for some of the top industry companies are? Or is

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something more moderate like what you think is an appropriate sort of ongoing normalized NUG level for choice?

Patrick Pacious^ Yes, David, I mean when I look across the industry, NUG is coming from international. I mean that's -- you look at everybody's NUG, it's international. If you look at ours as well 2025 was kind of the next phase of our growth on that -- in effectively the rest of the world. So we're really excited about that becoming a bigger contributor. I mean -- and then I think the second piece is the return of new construction. That's the other aspect of this. When I look at our business and I look at the extended stay opportunity that we have here in the U.S., I mean that's continuing to outperform the competition. We added 12% more rooms. We outperformed on RevPAR. So it's really a function when I look across the industry, most of the NUG is coming outside of the U.S., and that's an area that we are growing in as well.

Operator^ Your next question comes from Robin Farley from Unit Bank Switzerland.

Robin Farley^ Great. I wanted to ask about your RevPAR guidance, just that the global is at the same rate as U.S., but your international RevPAR has been growing above the U.S. rate. I think we see that broadly. So just wondering why you're not seeing something at -- or expecting something at a higher rate in your international markets?

Patrick Pacious^ Well I think the first part of it, Robin, is the size of the international market relative to -- so as we saw last year, we had very strong international RevPAR growth. But relative to the U.S., it was offset. So that's one factor in it. I think the second is many of the -- a lot of the growth we had this year are going to be ramping hotels next year. So we are factoring that into our RevPAR thinking in the 47 countries that we're in outside of the U.S. So it's a bit of a story about it's a small contributor today and there's obviously a lot of variability in the 47 markets that we have hotels in.

Scott Oaksmith^ Yes. And Robin, as Pat mentioned, it's really when you look at a same-store sales basis, we do see strong growth, particularly in Canada, we think we'll be somewhere about 5.5% growth for the year. Our CALA region should be around 8.5%. But as Pat mentioned, just given we do report on a full system availability with some of the ramping hotels, just brought those numbers down a little bit, but we do think the general economic environment in the international markets will be stronger than the U.S.

Robin Farley^ Great. And just as a follow-up, still thinking about your international growth. I don't think -- I saw that the U.S. royalty rate you mentioned in the 5% range. I don't know if you gave that specific number for international royalty rate. I know you indicated it was up, but just wanted to get a sense of that, just given how much more direct you're doing versus master franchise, it seems like that would have stepped up a lot. Then I don't know if there's anything about key money with international growth that's different that you would call out than what we typically see from U.S. domestic growth.

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Patrick Pacious^ I'll answer the key money question, Robin. So as we have looked at our international business, as you mentioned, it has become more of a direct franchising model than we had been in the past. What's really exciting is the power of the brands that we have internationally means we don't have to do key money the way we do here in the U.S. from that perspective to get the types of openings. So it's a much lower amount of money that's required to incent new growth.

Then I think Scott, you wanted to answer that?

Scott Oaksmith^ Yes. In terms of the royalty rate, we have -- the contracts we have been doing, we have seen some improvement in the royalty rate. Our royalty rate in our direct markets is about around 2.7% across the international markets. When we do go to market in an MFA agreement, a master franchise agreement, obviously those are lower royalty rates given that our partners are responsible for servicing the brands in the local markets. Those rates are more around 0.5% to 1%. So we're continuing to evolve our disclosures and moving forward, we'll look to give more forward-looking guidance on what that royalty rate looks like going forward. But those are -- if you're looking to model some broad numbers to use.

Operator^ Your next question comes from Patrick Scholes from Truist Securities.

Charles Scholes^ Sorry if I missed this. Did you give an outline or a guided range for expected return of capital such as a combination of share repurchases and dividends? And if not, would you be able to do so?

Scott Oaksmith^ No, Patrick. We did not give any guidance as we typically do not. We think about our capital allocation. Obviously as we've talked many times on the call we first and foremost, always look to invest our capital back into the business organically as we think that's the highest return to shareholders. If there is meaningful and accretive M&A, we certainly look at that. Then with our excess cash flows, we do return those to our shareholders through dividends and share repurchases. But we typically do not provide guidance on that. We'll continue to evaluate those opportunities. And as the year goes on, we'll report on how we allocate that capital. But we -- as we typically have not, we did not give guidance.

Charles Scholes^ Okay. I do think it would be helpful from talking with quite a few investors about this. If you did, just a suggestion certainly, it is well received the way Hilton and Marriott do in their earnings releases. (inaudible).

Operator^ Your next question comes from Trey Bowers from Wells Fargo.

Raymond Bowers^ Just a couple of more on financials questions. Working capital and other was a pretty big drag in 2025. As we look to model '26, should we expect a

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reversal of that \$98 million? Or is there anything to call out specifically that's driving that?

Scott Oaksmith^ Sure. Welcome, Trey. This is your first earnings call with us. So we're glad to have you. Thank you for covering the company. Yes. There are some timing reversal items that are in there really around just the timing of some tax payments that we had made that will obviously be utilized in 2026 as well as some other working capital. So I would expect most of that to reverse going forward in 2026.

Raymond Bowers^ Great. Then thank you guys for the clarity on the capital outlay. Just as we look to model that, is that more an increase in the distributions and proceeds coming back to you? Or is it in lockstep with that also lower contributions, a little bit of both? Or just if you could give a little more granular detail around the multiple items that kind of feed into that.

Patrick Pacious^ Yes, Trey, welcome. It's a little bit of both, as we've talked about, lower key money per unit and then also the tapering off of Everhome this year and the completion of Cambria last year. As we think about recycling, a lot of that is going to be driven by market conditions around the attractiveness of the buy-sell bid-ask that's out in the market to allow us to move some of that -- those owned hotels back to franchised hotels.

Scott Oaksmith^ Yes. When you look at the recycled capital, I'd say the step down that I mentioned, the 70% reduction, that's primarily on outlays. So as we mentioned, we're tapering these down. So we expect recycling this year, we did about \$32 million to be somewhere in that same range with opportunities to do more if the transaction market rebounds here. But really, the step down is really about outlays as we start tapering down those programs.

Operator^ Thank you. Your next question comes from Meredith Jensen from HSBC.

Meredith Prichard Jensen^ I was hoping you might speak a little bit more about conversions in terms of how they're breaking down from independents or other branded companies, potentially how you think about inter-branded conversion? I know that's separately and maybe a little bit of regional color there. And a second part of this, and I think I understand, Pat, from your comments, you may have a different take on it. I was listening to a CEO interview with A-List and Alison and he talked about how given lender comfort and more conversion options that conversion levels were going to be structurally higher that there was a change there. I would love to get your thoughts on that.

Patrick Pacious^ Sure. Yes. Definitely, when you see where the marketplace has been kind of a flattish RevPAR for the last couple of years and interest rates being high, that has driven new construction down. So it's become much more of a conversion model. That's an area that Choice Hotels has led on for years. And they do pick up in times like

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the global financial crisis, the pandemic and even in the last couple of years as new construction projects have just been harder to finance. So it's an area of strength for us.

Where the conversion opportunities come from, for us, I always say when times are a little tougher for hotel owners, independent hotels come in out of the rain. They want to come into a brand that has, a, it's a proven brand; but b, it's got a loyalty program, revenue management, opportunity to lower their costs through the use of our tools and our procurement programs and the like.

So those are the types of hotels we normally see. That's why brands like Ascend do well in times like this. Ascend had a very good year last year. Brands like Quality Inn, our economy brands kind of picking up with new units. So that's where the growth is coming from into those brands, but it's primarily coming from, I would say independents and then there are some other branded conversions that's the -- usually the second highest contributor to our new conversion or new entrant model that are from the conversion hotels.

Operator^ There are no further questions at this time. I will now turn the call over to Choice's CEO, Pat Pacious, for closing remarks. Please go ahead.

Patrick Pacious^ Well thank you, Operator, and thanks everyone, for joining us this morning. We look forward to hearing you again -- to speaking with you again in May when we report our first quarter results. Have a great day.

Operator^ Ladies and gentlemen, this concludes today's conference call. Thank you, all for your participation. You may now disconnect.