



Country Inn & Suites, Bloomington, MN

2023 Investor Presentation

February 15, 2023

Forward-looking Statements

Certain matters discussed in this press release 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, the company's liquidity, the impact of COVID-19 and economic conditions on our future operations, 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.

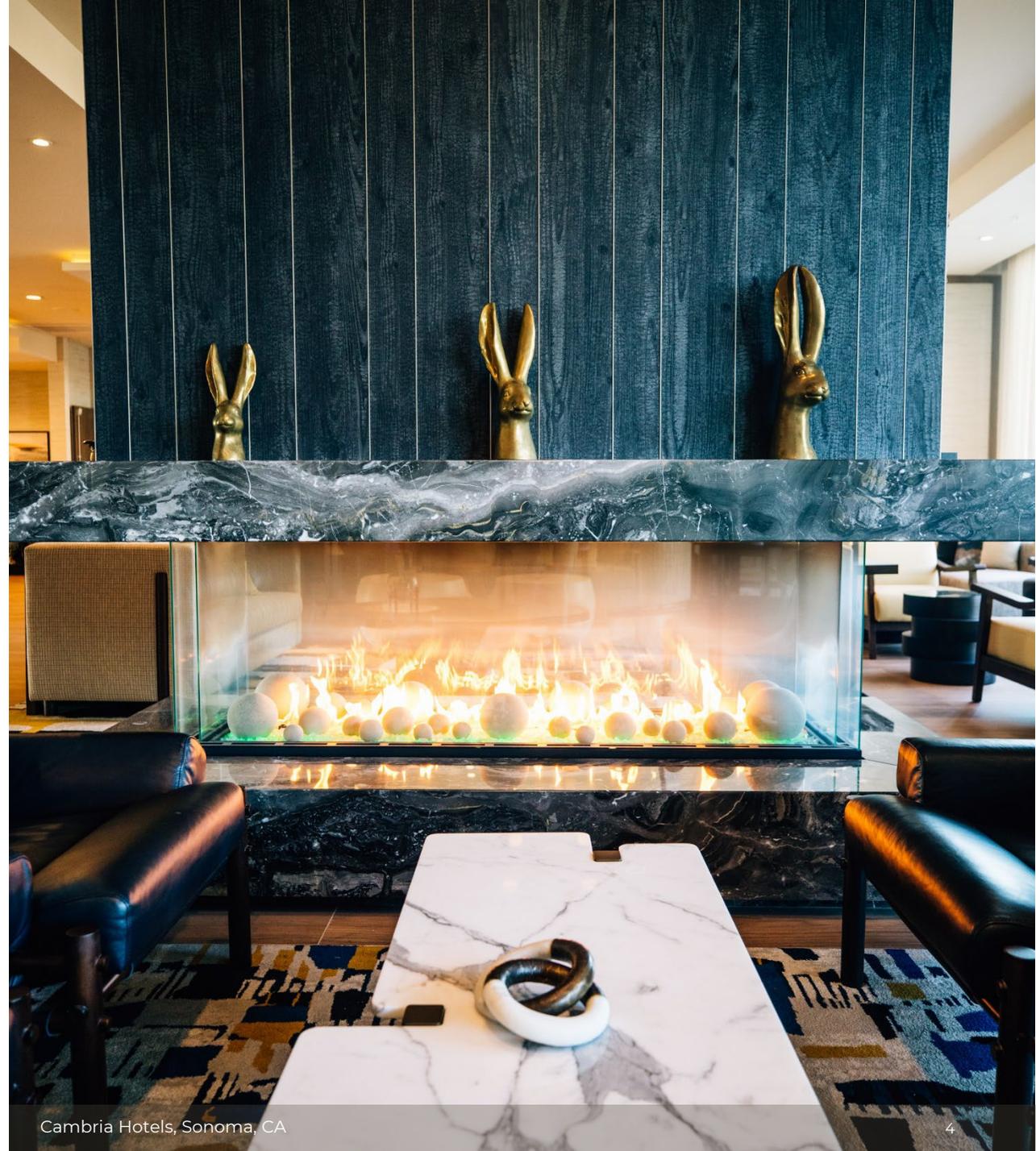
Several factors could cause actual results, performance or achievements of the company to differ materially from those expressed in or contemplated by the forward-looking statements. Such risks include, but are not limited to, changes to general, domestic and foreign economic conditions, including access 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 continuation or resurgence of the COVID-19 pandemic, including with respect to new strains or variants; 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 (“SaaS”) 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, especially in areas currently most affected by COVID-19; 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, where 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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1 Company Overview



Choice Hotels is one of the world's largest hotel companies with over 80 years of success building a portfolio of diversified brands



Choice Hotels is positioned at the intersection of franchising, hospitality and technology

~7,500

Open Hotels Globally

>1,000

Hotels in Global Pipeline

47

Countries & Territories Worldwide

Only lodging company

~100%

franchised¹

~13,500

Franchise Owners²

55M

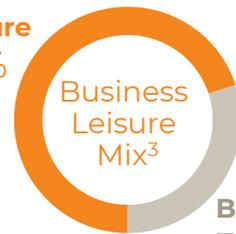
Choice Privileges Loyalty Members

11M

Radisson Rewards Americas Loyalty Members



Leisure
70%



Business
30%

Midscale
68%



Extended Stay
8%

Upscale
9%

Select-Service
96%



Full-service
4%

¹ Choice Hotels owned and/or managed 19 hotels as of December 31, 2022.

² Does not reflect additional franchise owners from the acquisition of Radisson Americas.

³ Refers to the company's business leisure mix excluding the impact of the Radisson Americas acquisition.

⁴ Chain scale mix is calculated based on total open rooms as of December 31, 2022.



Investment Thesis

Choice Hotels is well-positioned for long-term growth across all revenue and profitability levers

1

Asset-light franchising model generating strong and predictable free cash flow and high return on invested capital

2

Proven strategy of growing the brand portfolio with hotels that generate higher royalties per unit continues to drive impressive results

3

North America's midscale leader with outsized exposure to attractive leisure markets and significant growth potential in extended stay and upscale segments¹

4

Continued investments in franchisee owners' value proposition to improve top-line revenue performance, accelerate growth of brand portfolio and maintain industry-leading franchisee retention rates

5

Expansion of platform business by leveraging size, scale and distribution capabilities to further drive top-line revenue and deliver tangible value-added solutions to hotel owners and guests

6

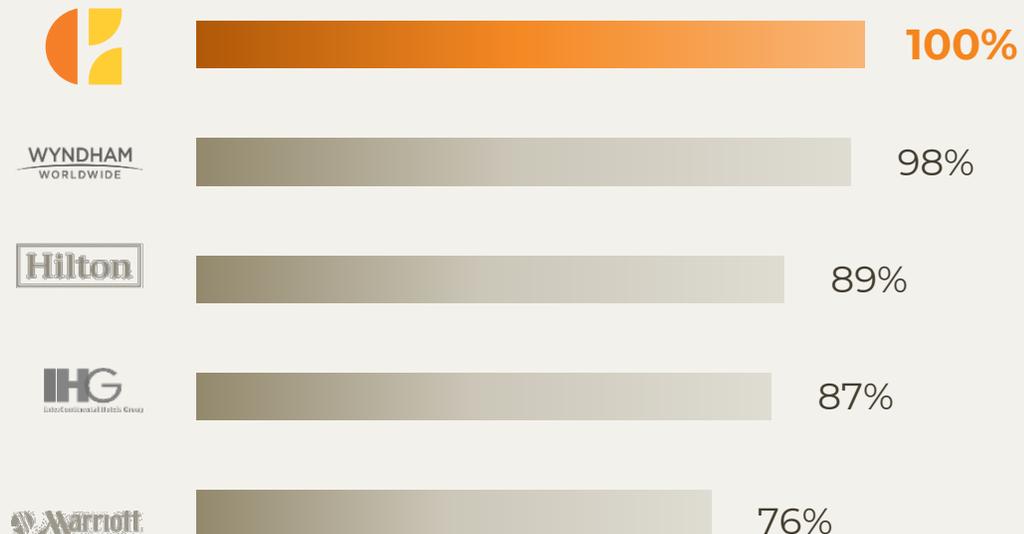
Strong and flexible balance sheet with proven track record of financial discipline and ample liquidity to invest in growth opportunities and return capital to shareholders



The company's fee-for-service business model generates stable cash flows and strong returns on investments throughout economic cycles

Choice is a leading industry franchisor¹

% of domestic franchised hotels²



Asset-light cycle-resilient fee-based business model

- Leverages real estate footprint without significant asset ownership and generates high ROIC
- Limited exposure to operating costs and capital expenditures
 - **~\$30 to \$35 million** in annual maintenance capital expenditure spend historically
- Franchisees' low debt levels provide financial flexibility in down cycles and/or during the crisis while risk is diversified across **~13,500** owners and **~7,500** hotels (i.e., a typical franchisee owns 1 hotel)³
- Midscale, extended stay and economy hotels can generate positive cash flow even at low occupancy levels

¹ Choice Hotels owned and/or managed 19 hotels as of December 31, 2022.

² Based on STR data as of December 31, 2022.

³ Does not reflect additional franchise owners from the acquisition of Radisson Americas.



The strategic decisions and investments the company have made have strengthened its ability to create long-term shareholder value

Strategic Focus Areas



Brand Growth

Launched, enhanced and/or **acquired** brands in each of the strategic segments: **midscale, upper-midscale, extended-stay, upscale, upper-upscale**, growing brand portfolio with hotels that generate higher royalties per unit



Value Proposition Enhancements

Enhanced guest delivery, **strengthened** marketing and reservation systems and franchisee tools while **reducing** the cost of operating hotels



Platform Expansion

Bolstered platform capabilities through strategic partnerships that drive incremental revenue to the existing portfolio

Choice Hotels' distinct strategy of growing the brand portfolio with hotels that generate higher royalties per unit is driving impressive results

Achievements



Drove growth that generated higher royalties per unit across segments, brands and locations

Accelerated growth in higher revenue segments by acquiring Radisson Americas¹

Grew the domestic system size across the **20 premium** brands by **9.5%** year-over-year

Generated revenue for hotels entering the Choice portfolio at **2x** higher versus hotels leaving the portfolio²

Drove revenue **20% higher** for hotels added within each brand versus hotels exiting the same brand³

Grew footprint in the Upper Midwest, West Coast, and key international markets



Invested in the franchise owners' value proposition and drove their bottom-line profitability

Exceeded 2019 levels of revenue contribution from ChoiceHotels.com

Achieved RevPAR Index gains, driven by enhancements in pricing optimization and merchandising capabilities

Drove efforts to improve hotel level profitability (e.g., housekeeping upon request, "Your" Key to Profit platform etc.)

Expanded customer reach to a higher income and younger demographic, and with business travelers



Entered adjacent business segments through new travel and loyalty partnerships

Signed strategic partnership with Penn National Gaming (Q1 2021) and grew existing partnership with Bluegreen Vacations

Launched a new cobranded credit card program (Q1 2023)

- **Over \$5 million** of incremental adjusted EBITDA in 2023, ramping to over **\$10 million** of incremental adjusted EBITDA in 2024
- Additional opportunity in 2024 and beyond



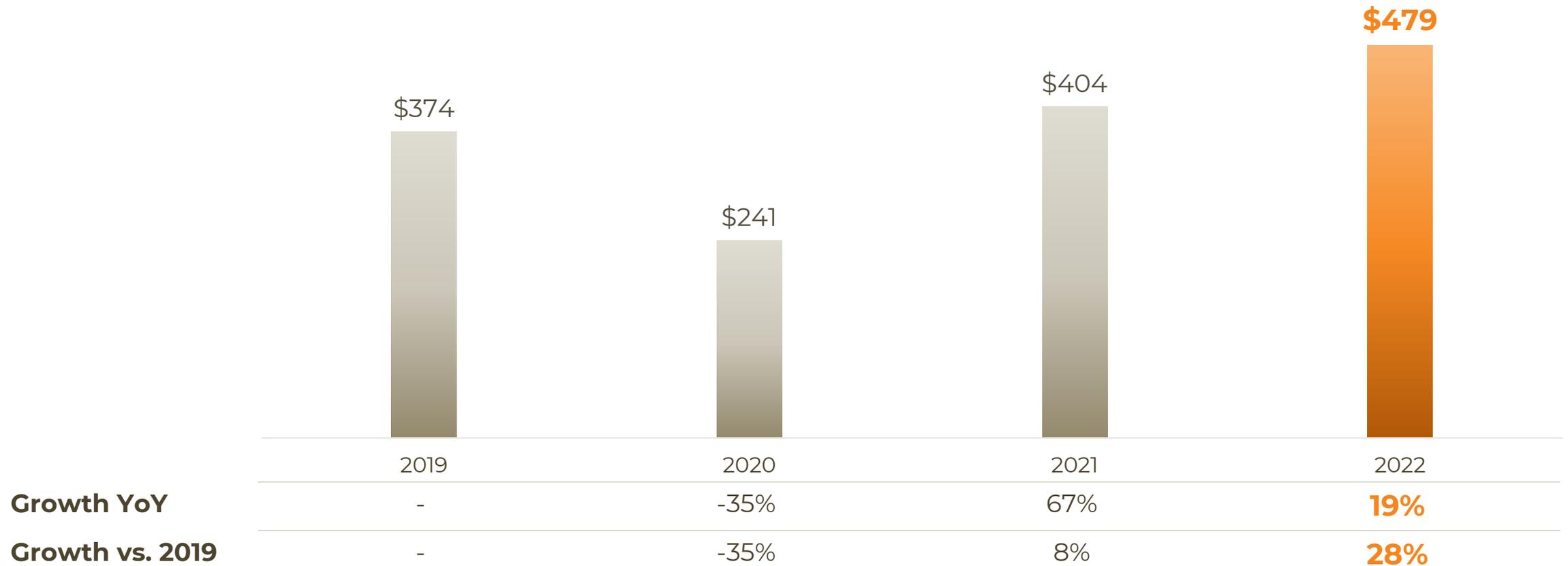
¹ Higher revenue segments refer to the upscale, midscale and extended stay-segments.

² In 2022, on average; trend expected to continue into 2023.

³ In 2022, on average and on a comparable basis.

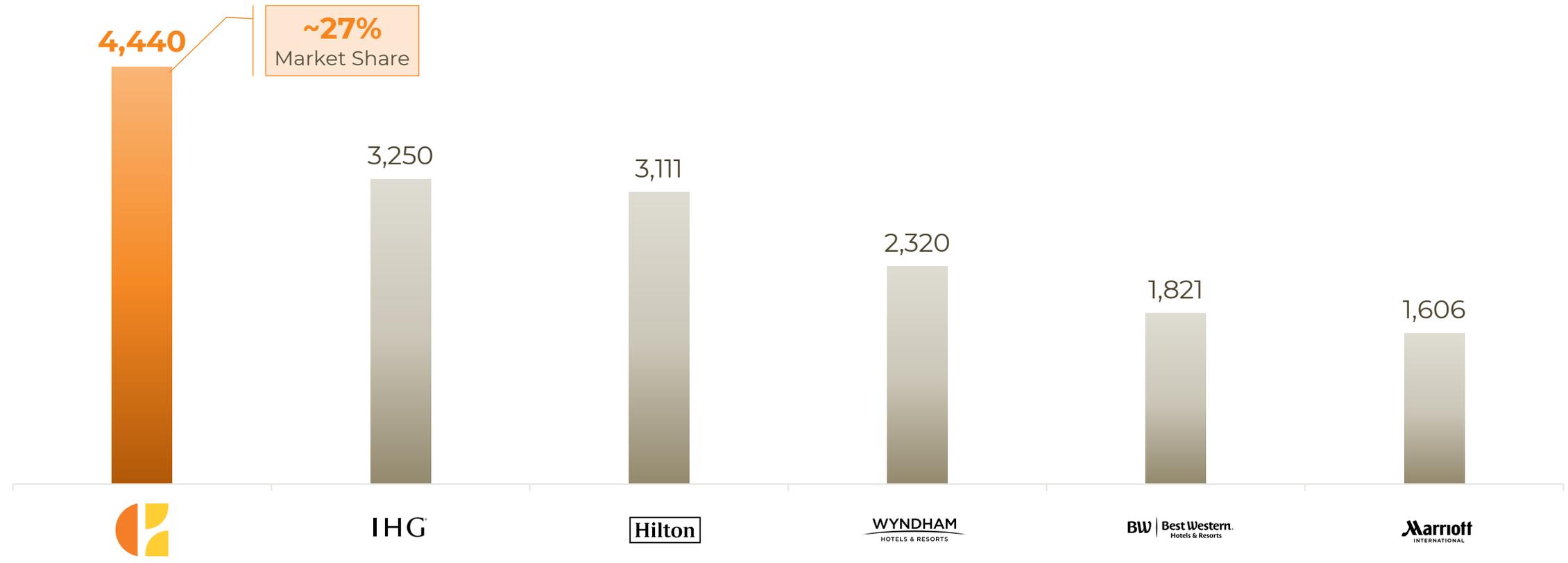
The company delivered step-function growth with adjusted EBITDA 19% higher than last year and surpassing 2019 levels by 28%

Adjusted EBITDA and Growth Rates



Choice Hotels continues to be a leader in the upper-midscale and midscale segments

Choice Midscale Domestic Portfolio versus Competitors¹
of upper-midscale and midscale hotels



Choice's strategic focus and prior investments in extended stay continue to drive a competitive advantage

Growing portfolio	<p>403 domestic extended-stay hotels open and 496 in the pipeline;¹ expecting the system size to increase by more than 15% CAGR over next 5 years</p>	New Brand Launch	<p>Everhome Suites, the first brand to enter the midscale extended stay segment in nearly a decade, opened its first hotel in Q3 2022 and has 60 projects in the pipeline</p>
Owner Profitability	<p>Average WoodSpring Suites GOP approximately 60%²</p>	Cycle-resilient Segment	<p>Historically, in down cycles, overall economy extended stay segment performs on average 15% higher than the overall industry</p>
Lean Operating Model	<p>Low break-even occupancy and steady margins in practically any economic environment</p>	Long-Term Growth Opportunity	<p>Extended stay segment demand reached an all-time high³</p>
High Developer Interest	<p>Executed a record number (159) of domestic franchise agreements in 2022, a 77% increase versus 2021</p>	Favorable Trends	<p>Increases in longer length of stay travel, re-shoring of U.S. manufacturing and significant investments from the infrastructure bill favor the extended stay product</p>



Choice Hotels continued to build momentum in the upscale segment, with the Radisson Americas acquisition further cementing the company's strength



65 hotels open, 69 in development, 19 under active construction as of Q4 2022

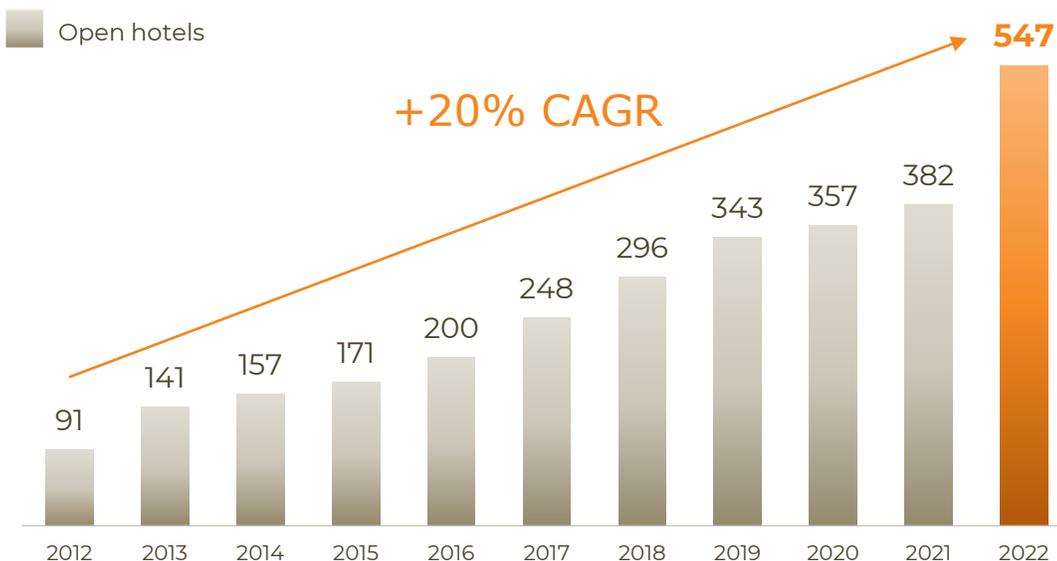


Remains **first** launched and **largest** global soft brand

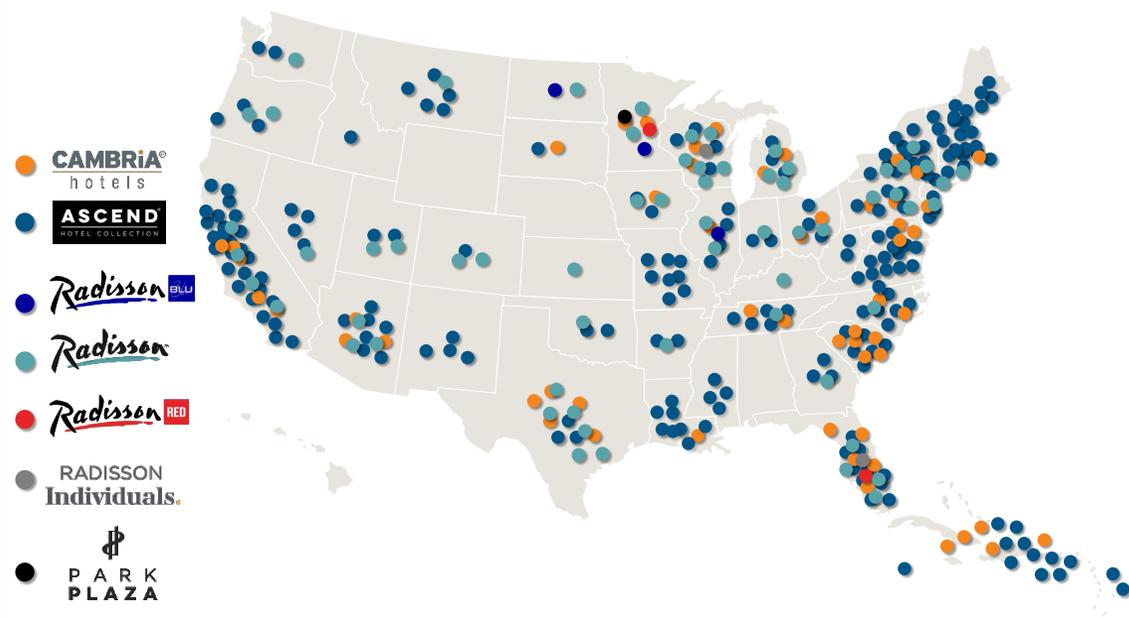


Choice added **~30,000** global upscale rooms to the portfolio upon the Radisson Americas acquisition

Upscale global portfolio¹



Domestic upscale open hotels¹



As a franchisor, Choice Hotels created a best-in-class franchisee success system to drive profitability of the independent hotel owners and operators



Value Proposition



Scale of Choice's customer delivery platform

Award-winning loyalty program (55 million Choice Privileges + 11 million Radisson Rewards Americas members)

Over \$600 million in franchisee-funded marketing and reservation fees allow for investments in best-in-class resources and technology

Negotiated lower OTA rates and other scale benefits for franchise owners



Mutually beneficial long-term franchise agreements

Long-term contracts with the ability to require Property Improvement Plans¹ throughout the term of the contract provide stable fee streams and preserve brand equity

High voluntary franchisee retention rate

Half of new contracts awarded are with existing and/or returning owners



Best-in-class franchisee resources & support

Award-winning pricing optimization and merchandising tools

Dedicated revenue management consultants supporting owners

Award-winning proprietary training suite and other franchisee services

Leading-edge, cloud-based property management system



Focus on lowering franchisees' total cost of ownership & driving operating excellence

Low cost-to-build improves franchisees' investment returns, operating profitability and resiliency

Simplified purchasing process reduces hotel operating costs

Key tools, programs and services to improve hotel level profitability (e.g., housekeeping upon request, Your "Key to Profit" platform etc.)

Choice Hotels maintains a best-in class balance sheet, with no significant debt maturities for the next three years

Balance Sheet & Liquidity



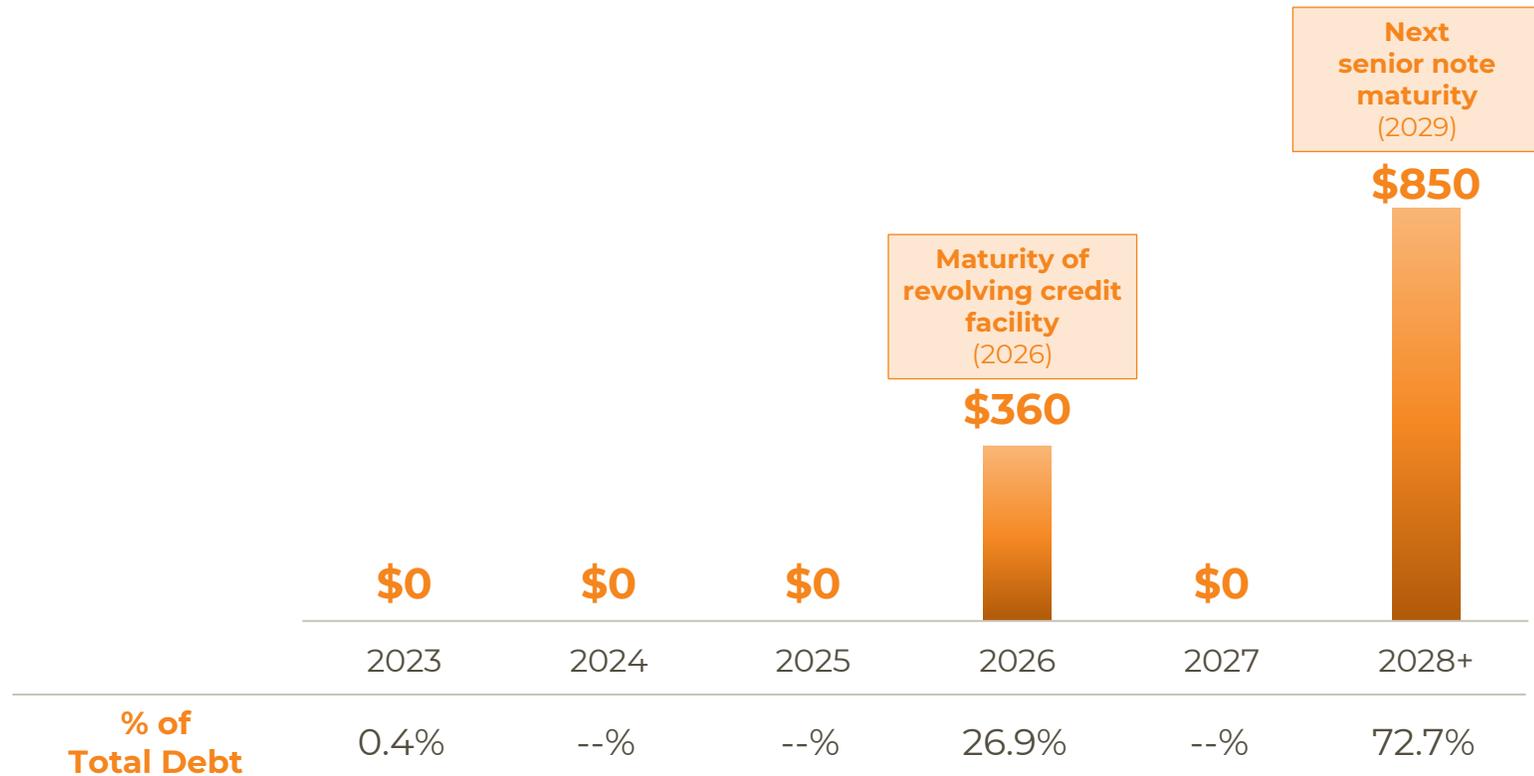
2.5x

Reported leverage ratio
below the target of 3-4x

>\$530M¹

Available liquidity

Debt Maturities





2 Business Update

Fourth Quarter and Full-Year 2022 Performance Recap Update

Domestic Results¹

RevPAR Growth

+20.4%

vs. Q4 '19

ADR **+17.4%** vs. Q4 '19
Occupancy **+130 bps** vs. Q4 '19

+14.6%

vs. FY '19

Outperformed industry by **+700 bps**
(**12** consecutive quarters of outperformance)

Accelerated growth from Q3 2022

Exceeded 2019 levels for **19** consecutive months since June 2021

Met **top-end** of full-year guidance



Franchise Agreements



590
in FY '22

+11%
YoY

Pipeline



1,029
hotels

+14%
YoY

Effective Royalty Rate



5.05%
for FY '22

+4 bps
vs. FY '21

Unit Growth

Revenue generated, on average:

2x from units entering the system vs. units leaving system²
Higher

20% from hotels added within its brand vs. hotels exiting the brand³
Higher

+9.5% unit growth vs. '21⁴



¹ For comparative purposes, RevPAR and effective royalty rate exclude the impact of the Radisson Hotels Americas acquisition, while pipeline, franchise agreements and unit growth include the impact of the Radisson Hotels Americas acquisition.

² In 2022, on average; trend expected to continue into 2023.

³ In 2022, on average and on a comparable basis.

⁴ For higher revenue upscale, midscale and extended-stay segments. Total number of domestic hotels increased 6.5% from December 31, 2021.



Comfort Inn & Suites, CrossPlex Village, AL



Comfort Inn & Suites, Hurricane, UT



Clarion Pointe, South Boston, VA

Midscale

Midscale

- **Surpassed** 2019 RevPAR levels since June 2021 and achieved **17.3%** RevPAR growth¹
- **Grew** domestic upper-midscale portfolio by **24% YoY**

Comfort Family

- **Achieved** RevPAR share gains versus local competitors and drove RevPAR growth outperformance versus the upper-midscale chain scale¹
- **New prototype** under development in several locations, marking the next growth chapter for the brand

¹ Q4 2022 compared to the same period of 2019.



Sleep Inn, Baxley, GA



Country Inn & Suites by Radisson, Smithfield-Selma, NC



Clarion Pointe, Rochester, NY



Everhome Suites Prototype Exterior Rendering



WoodSpring Suites Entrance



Everhome Model Room

Extended Stay

Extended Stay

- **Surpassed** 2019 RevPAR levels since April 2021 and achieved **27.8%** RevPAR growth¹
- **Expanded** domestic pipeline to **nearly 500** units, a **34%** increase YoY
- **Awarded** a record number of domestic franchise agreements in 2022, a **77%** increase YoY

WoodSpring Suites

- **Drove 33.4%** RevPAR growth through both occupancy and rate gains¹
- **Increased** domestic pipeline **47%** YoY (**over 310** domestic projects)

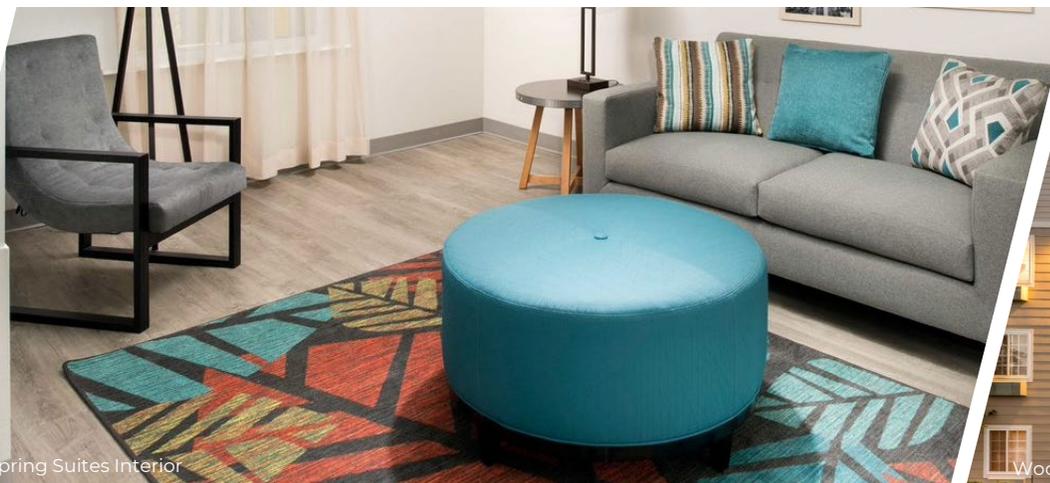
Everhome Suites

- **First** hotel opened in September 2022, with **60** domestic projects in the pipeline

¹ Q4 2022 compared to the same period of 2019.



Suburban Studios Exterior



WoodSpring Suites Interior



WoodSpring Suites, Orlando East, FL



Radisson Blu, Chicago, IL



Ascend, Henderson, NV



Cambria Hotels, Boston, MA

Upscale

Upscale

- **Achieved 10.4%** RevPAR growth and outperformed the upscale chain scale by **nearly 10 percentage points**¹
- **Doubled** the number of franchise agreements executed YoY
- **29%** YoY domestic unit growth driven by Radisson Americas acquisition and growth of Cambria brand

Cambria

- **65** units open and **69** in domestic pipeline, including **19** projects under active construction

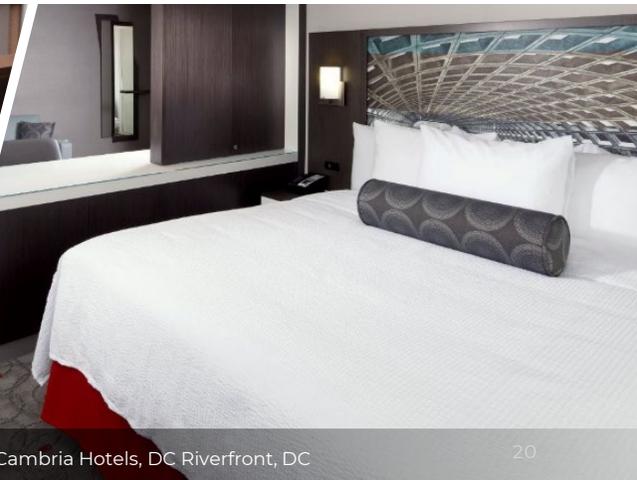
¹ FY 2022 compared to the same period of 2019.



Cambria Hotels, Houston, TX



Cambria Hotels, Philadelphia, PA



Cambria Hotels, DC Riverfront, DC

3

Financial Summary and Highlights



Full-Year 2022 Financial Performance

Revenue & Profitability



\$1.4B
Total Revenues
+31%
YoY

\$332.2M
Net Income
+15% YoY
+49% vs. FY '19

\$478.6M
Adj. EBITDA
+19% YoY
+28% vs. FY '19
Exceeded guidance
by **+\$9M**

\$5.27
Adj. diluted EPS
+23%
YoY

Acquisition



\$104.2M
Radisson Americas
revenue

\$18.3M
Radisson Americas
Adj. EBITDA

Exceeded
guidance
by **+\$3M**

Shareholder Returns



returned
>\$487M
In the form of cash dividends and
share repurchases in FY '22

repurchased
~7%
of average shares outstanding
for the year ended Dec. 31, 2022¹

Capital Recycling Activity²



~\$170M
YTD through Dec. 31, 2022
Secured **20- to 30-year** franchise agreements
with all buyers

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), strategic redesigns (e.g., Suburban Studios) and prototypes (e.g., Cambria, Comfort)
- 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 Hotels 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

Increased quarterly dividend to a level higher than pre-pandemic (January 2022)

EXAMPLES:

Excess capital returned to shareholders through dividend and share repurchases: >\$487M in 2022 (including ~\$435M in share repurchases); ~\$38M in 2021; ~\$80M in 2020; ~\$100M in 2019

Even with continued investment and scaling of the business, the company plans to remain within the target leverage range of **3-4x**



4 Outlook

The company is expecting to grow adjusted EBITDA by approximately 11% at the midpoint of the guidance, year-over-year

FY 2023 Guidance (inclusive of Radisson Americas acquisition)

Net Income:

\$245M-\$265M

Adj. EBITDA:

\$520M-\$540M

~11%

YoY increase
at the midpoint

~7%

YoY increase at the midpoint
excl. Radisson Americas¹

Radisson Americas Adj. EBITDA:

\$60M+

exceeding the previously disclosed recurring
adjusted EBITDA target for 2024 and beyond

RevPAR Growth

approx. 2%

vs. FY '22

Effective Royalty Rate Growth²

Mid-single digits

vs. FY '22

Unit Growth³

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;
expecting to maintain 2023
royalty revenue at the same level
as 2022 royalty revenue

Q1 2023 Guidance

Net Income:

\$28M-\$32M

Adj. EBITDA:

\$100M-\$105M

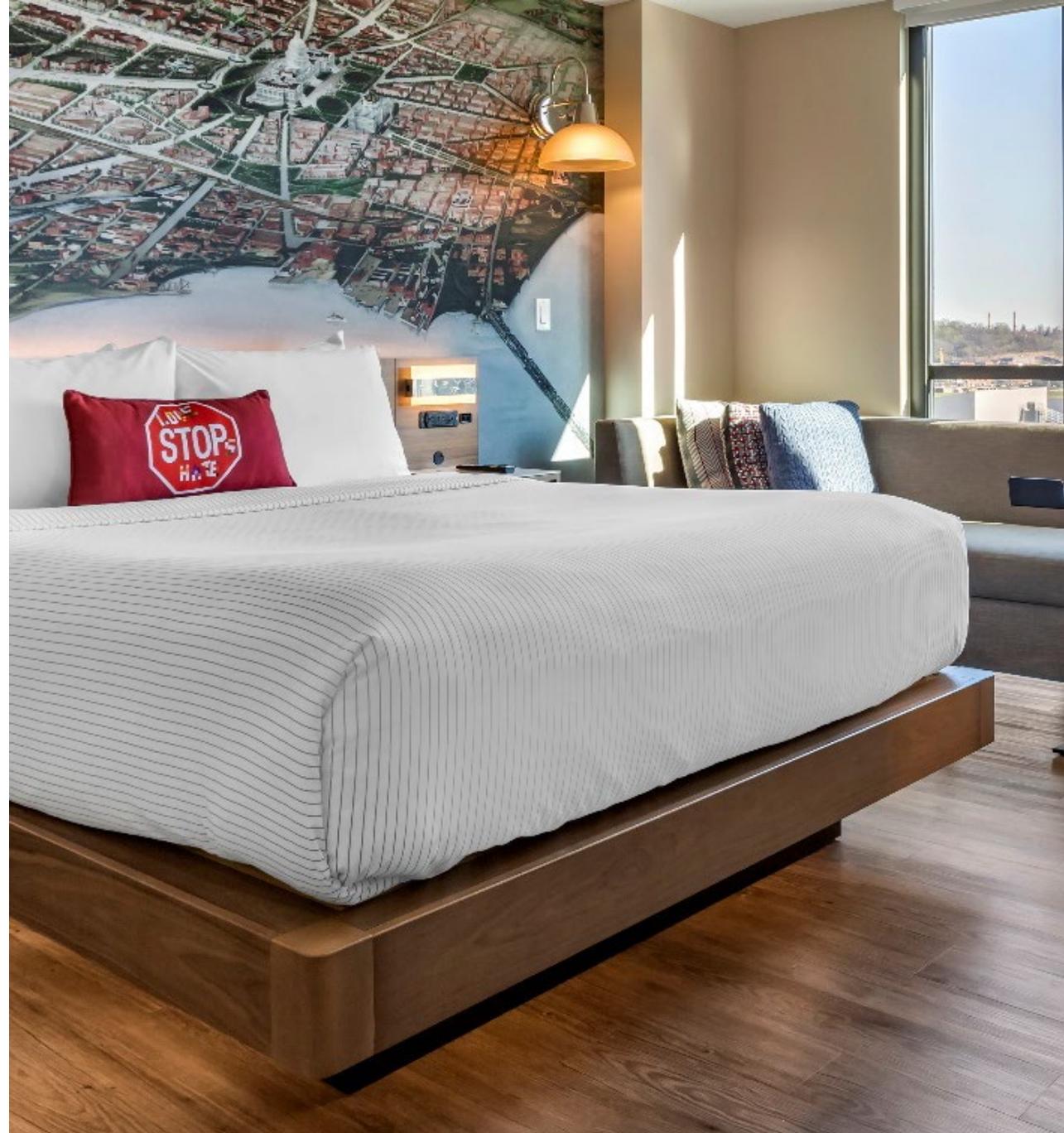
¹ For comparative purposes, excludes the impact of long-term strategic decisions, including the sale of three owned Cambria assets, the one-time exit of the 110 WoodSpring Suites hotels and other one-time 2022 non-recurring items.

² For comparative purposes, domestic effective royalty rate baseline is 4.93% for full-year 2022.

³ Represents unit growth for the company's higher revenue segments (upscale, midscale and extended-stay).

⁴ Higher revenue segments include upscale, midscale and extended-stay.

5 Appendix



Non-GAAP Financial Measurements

Non-GAAP Financial Measurements and Other Definitions

The company evaluates its operations utilizing the performance metrics of adjusted EBITDA, adjusted EBITDA margins, adjusted selling, general and administrative (SG&A) expenses, revenues excluding reimbursable revenue from franchised and managed properties and extraordinary termination fees from franchisee, 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 7, 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, exceptional allowances recorded as a result of COVID-19's impact on the collectability of receivables, expenses associated with legal claims, acquisition related due diligence, transition and transaction costs, one-time franchise agreement termination fees received related to the purchase and rebranding of a 110 hotel portfolio of WoodSpring Suites hotels, 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 SG&A, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization and Margin: Adjusted SG&A, Adjusted EBITDA and Adjusted EBITDA Margin 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 and Extraordinary Termination Fees from Franchisee: The company reports revenues, excluding reimbursable revenue from franchised and managed properties and extraordinary termination fees from franchisee. 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. During the third quarter of 2022, the company earned one-time franchise agreement termination fees related to the purchase by a third-party from an existing franchisee and the subsequent rebranding of a 110 hotel portfolio of WoodSpring Suites hotels. These termination fees received are considered infrequent in nature and not representative of on-going operations and therefore have been excluded from the measurements utilized to assess the company's operating performance.

Non-GAAP Financial Measurements

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)

(\$thousands)	Q4 2022*	Q4 2021*	FY 2022*	FY 2021*	FY 2020*	FY 2019*
Net income	\$ 55,514	\$ 64,083	\$ 332,150	\$ 288,957	\$ 75,387	\$ 222,878
Adjustments:						
Loss on extinguishment of debt	-	-	-	-	12,457	5,541
Loss on impairment of unconsolidated joint ventures	474	10,863	(12,208)	14,631	-	-
Gain on sale of unconsolidated joint venture	-	-	-	(5,193)	-	-
Loss on sale of business & assets, and impairments, net	-	201	-	203	16,613	17,071
Operational restructuring charges	986	65	5,103	615	7,190	1,130
Due diligence and transaction costs	7,073	-	24,976	-	5,487	-
Exceptional allowances attributable to COVID-19	(943)	1,556	(943)	3,911	2,256	-
Expenses associated with legal claims	-	-	-	2,271	-	-
Marketing and reservation system reimbursable surplus	4,088	(20,602)	(39,233)	(64,337)	-	1,376
Sale of tax credits on historic building	-	-	-	-	-	(5,973)
Extraordinary termination fees from franchisee	-	-	(17,212)	-	-	-
Foreign tax benefit on international restructuring	-	-	-	-	(28,848)	-
Adjusted Net Income	\$ 67,192	\$ 56,166	\$ 292,633	\$ 241,058	\$ 123,852	\$ 242,023
Diluted Earnings Per Share	\$ 1.04	\$ 1.14	\$ 5.99	\$ 5.15	\$ 1.35	\$ 3.98
Adjustments:						
Loss on extinguishment of debt	-	-	-	-	0.22	0.10
Loss on impairment of unconsolidated joint ventures	0.01	0.19	(0.22)	0.26	-	-
Gain on sale of unconsolidated joint venture	-	-	-	(0.09)	-	-
Loss on sale of business & assets, and impairments, net	-	-	-	-	0.30	0.30
Operational restructuring charges	0.02	-	0.09	0.01	0.13	0.02
Exceptional allowances attributable to COVID-19	(0.02)	0.03	(0.02)	0.07	0.10	-
Expenses associated with legal claims	-	-	-	0.04	0.04	-
Marketing and reservation system reimbursable surplus	0.08	(0.37)	(0.71)	(1.15)	0.63	0.03
Sale of tax credits on historic building	-	-	-	-	(0.03)	(0.11)
Extraordinary termination fees from franchisee	-	-	(0.31)	-	-	-
Due diligence and transaction costs	0.13	-	0.45	-	-	-
Foreign tax benefit on international restructuring	-	-	-	-	(0.52)	-
Adjusted Diluted Earnings Per Share (EPS)	\$ 1.26	\$ 0.99	\$ 5.27	\$ 4.29	\$ 2.22	\$ 4.32



*Figures are calculated using guidelines from the ASC 606 Revenue Recognition Standard.

Reconciliation of Non-GAAP Measures

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

(\$thousands)	Q4 2022*	Q4 2021*	FY 2022*	FY 2021*	FY 2020*	FY 2019*
Net income	\$ 55,514	\$ 64,083	\$332,150	\$ 288,957	\$ 75,387	\$ 222,878
Income taxes	14,656	20,256	104,654	87,535	(22,381)	47,051
Interest expense	11,713	11,574	43,797	46,680	49,028	46,807
Interest income	(2,032)	(1,264)	(7,288)	(4,981)	(7,688)	(9,996)
Other (gains) losses	(2,560)	(2,228)	7,018	(5,134)	(4,147)	(4,862)
Loss on extinguishment of debt	-	-	-	-	16,565	7,188
Equity in operating net loss of affiliates, net of impairments	(637)	(140)	(1,916)	3,407	7,948	9,576
Loss on impairment of unconsolidated joint ventures	623	14,523	(16,065)	19,328	-	-
Gain on sale of unconsolidated joint venture	-	-	-	(6,860)	-	-
Loss on sale of business & assets, and impairments, net	-	269	-	269	22,092	14,930
Depreciation and amortization	9,989	6,296	30,425	24,773	25,831	18,828
Mark to market adjustments on non-qualified retirement plan investments	2,050	2,153	(5,929)	5,555	4,085	4,798
Operational restructuring charges	1,298	89	6,714	813	9,564	1,466
Share-based compensation	6,268	3,028	19,137	11,427	3,810	8,759
Due diligence and transaction costs	9,306	-	32,863	-	-	-
Exceptional allowances attributable to COVID-19	(1,241)	2,080	(1,241)	5,167	-	-
Expenses associated with legal claims	-	-	-	3,000	7,296	-
Extraordinary termination fees from franchisees	-	-	(22,647)	-	3,000	-
Marketing and reservation system reimbursable surplus	5,181	(27,191)	(52,102)	(83,897)	44,279	1,713
Franchise agreement acquisition costs amortization	2,375	1,983	8,995	7,517	6,416	4,484
Adjusted EBITDA	\$ 112,502	\$ 95,511	\$ 478,566	\$ 403,556	\$ 241,085	\$ 373,516

REVENUES, EXCLUDING MARKETING AND RESERVATION ACTIVITIES

(\$thousands)	Q4 2022	Q4 2021	FY 2022	FY 2021	FY 2020	FY 2019
Total revenues	\$ 361,982	\$ 284,638	\$ 1,401,948	\$ 1,069,298	\$ 774,072	\$ 1,114,820
Adjustments:						
Marketing and reservation system activities	(175,967)	(144,463)	(682,612)	(528,843)	(402,568)	(577,426)
Extraordinary termination fees from franchisee	-	-	(22,647)	-	-	-
Revenues, excluding marketing and reservation activities	\$ 186,015	\$ 140,175	\$ 696,689	\$ 540,455	\$ 371,504	\$ 537,394

Adjusted EBITDA margin

61% **68%** **69%** **75%** **65%** **70%**



*Figures are calculated using guidelines from the ASC 606 Revenue Recognition Standard.