

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

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

For the quarterly period ended September 30, 2023

or

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

For the transition period from \_\_\_ to \_\_\_

Commission File Number: 001-38432



**Wyndham Hotels & Resorts, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction  
of incorporation or organization)*

**22 Sylvan Way**

**Parsippany, New Jersey**

*(Address of principal executive offices)*

**82-3356232**

*(I.R.S. Employer  
Identification No.)*

**07054**

*(Zip Code)*

**(973) 753-6000**

*(Registrant's telephone number, including area code)*

**None**

*(Former name, former address and former fiscal year, if changed since last report)*

Securities registered pursuant to Section 12(b) of the Act:

*Title of each class*

**Common Stock**

*Trading Symbol(s)*

**WH**

*Name of each exchange on which registered*

**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date:

82,961,907 shares of common stock outstanding as of September 30, 2023.

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**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited).**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
Wyndham Hotels & Resorts, Inc.

**Results of Review of Interim Financial Statements**

We have reviewed the accompanying condensed consolidated balance sheet of Wyndham Hotels & Resorts, Inc. and subsidiaries (the “Company”) as of September 30, 2023, the related condensed consolidated statements of income, comprehensive income, and equity for the three-month and nine-month periods ended September 30, 2023 and 2022, and of cash flows for the nine-month periods ended September 30, 2023 and 2022, and the related notes (collectively referred to as the “interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022, and the related consolidated statements of income, comprehensive income, cash flows, and equity for the year then ended (not presented herein); and in our report dated February 16, 2023, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

**Basis for Review Results**

The interim financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Deloitte & Touche LLP

New York, New York  
October 26, 2023

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**WYNDHAM HOTELS & RESORTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Net revenues</b>				
Royalties and franchise fees	\$ 152	\$ 152	\$ 415	\$ 394
Marketing, reservation and loyalty	179	159	445	416
Management and other fees	3	3	11	54
License and other fees	30	28	83	74
Other	36	33	110	107
Fee-related and other revenues	400	375	1,064	1,045
Cost reimbursements	2	32	12	119
Net revenues	402	407	1,076	1,164
<b>Expenses</b>				
Marketing, reservation and loyalty	162	147	446	384
Operating	24	20	65	85
General and administrative	31	29	93	88
Cost reimbursements	2	32	12	119
Depreciation and amortization	19	18	56	58
Transaction-related	1	—	5	—
Separation-related	—	1	—	—
Gain on asset sale, net	—	—	—	(35)
Total expenses	239	247	677	699
<b>Operating income</b>	163	160	399	465
Interest expense, net	27	21	73	60
Early extinguishment of debt	—	—	3	2
<b>Income before income taxes</b>	136	139	323	403
Provision for income taxes	33	38	83	104
<b>Net income</b>	\$ 103	\$ 101	\$ 240	\$ 299
<b>Earnings per share</b>				
Basic	\$ 1.22	\$ 1.13	\$ 2.81	\$ 3.28
Diluted	1.21	1.13	2.79	3.26

See Notes to Condensed Consolidated Financial Statements.

**WYNDHAM HOTELS & RESORTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In millions)**  
**(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net income</b>	\$ 103	\$ 101	\$ 240	\$ 299
<b>Other comprehensive (loss)/income, net of tax</b>				
Foreign currency translation adjustments	(2)	(7)	2	(9)
Unrealized gains/(losses) on cash flow hedges	—	19	(6)	59
<b>Other comprehensive (loss)/income, net of tax</b>	<b>(2)</b>	<b>12</b>	<b>(4)</b>	<b>50</b>
<b>Comprehensive income</b>	<b>\$ 101</b>	<b>\$ 113</b>	<b>\$ 236</b>	<b>\$ 349</b>

See Notes to Condensed Consolidated Financial Statements.

**WYNDHAM HOTELS & RESORTS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(In millions, except per share amounts)**  
**(Unaudited)**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 79	\$ 161
Trade receivables, net	272	234
Prepaid expenses	53	59
Other current assets	62	91
Total current assets	<u>466</u>	<u>545</u>
Property and equipment, net	91	99
Goodwill	1,525	1,525
Trademarks, net	1,231	1,232
Franchise agreements and other intangibles, net	353	374
Other non-current assets	434	348
<b>Total assets</b>	<u>\$ 4,100</u>	<u>\$ 4,123</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 37	\$ 20
Accounts payable	46	39
Deferred revenues	83	83
Accrued expenses and other current liabilities	268	264
Total current liabilities	<u>434</u>	<u>406</u>
Long-term debt	2,123	2,057
Deferred income taxes	338	345
Deferred revenues	170	164
Other non-current liabilities	179	189
Total liabilities	<u>3,244</u>	<u>3,161</u>
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 6.0 shares, none issued and outstanding	—	—
Common stock, \$0.01 par value, 102.1 and 101.6 issued as of September 30, 2023 and December 31, 2022	1	1
Treasury stock, at cost – 19.0 and 15.2 shares as of September 30, 2023 and December 31, 2022	(1,234)	(964)
Additional paid-in capital	1,588	1,569
Retained earnings	467	318
Accumulated other comprehensive income	34	38
Total stockholders' equity	<u>856</u>	<u>962</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 4,100</u>	<u>\$ 4,123</u>

See Notes to Condensed Consolidated Financial Statements.

**WYNDHAM HOTELS & RESORTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
<b>Operating activities</b>		
Net income	\$ 240	\$ 299
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	56	58
Deferred income taxes	(5)	(37)
Stock-based compensation	28	25
Gain on asset sale, net	—	(35)
Loss on early extinguishment of debt	3	2
Net change in assets and liabilities:		
Trade receivables	(40)	(1)
Prepaid expenses	6	6
Other current assets	8	40
Accounts payable, accrued expenses and other current liabilities	(15)	4
Deferred revenues	10	20
Payments of development advance notes, net	(47)	(36)
Other, net	9	4
<b>Net cash provided by operating activities</b>	<b>253</b>	<b>349</b>
<b>Investing activities</b>		
Property and equipment additions	(28)	(28)
Acquisition of hotel brand	—	(44)
Loan advances	(22)	—
Proceeds from asset sales, net	—	263
Other, net	—	(1)
<b>Net cash (used in)/provided by investing activities</b>	<b>(50)</b>	<b>190</b>
<b>Financing activities</b>		
Proceeds from borrowings	1,308	400
Principal payments on long-term debt	(1,217)	(404)
Debt issuance costs	(10)	(4)
Dividends to stockholders	(90)	(88)
Repurchases of common stock	(261)	(313)
Net share settlement of incentive equity awards	(9)	(11)
Other, net	(4)	—
<b>Net cash used in financing activities</b>	<b>(283)</b>	<b>(420)</b>
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	(2)	(4)
<b>Net (decrease)/increase in cash, cash equivalents and restricted cash</b>	<b>(82)</b>	<b>115</b>
Cash, cash equivalents and restricted cash, beginning of period	161	171
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 79</b>	<b>\$ 286</b>

See Notes to Condensed Consolidated Financial Statements.

**WYNDHAM HOTELS & RESORTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(In millions)  
(Unaudited)

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Equity
<b>Balance as of December 31, 2022</b>	86	\$ 1	\$ (964)	\$ 1,569	\$ 318	\$ 38	\$ 962
Net income	—	—	—	—	67	—	67
Other comprehensive loss	—	—	—	—	—	(6)	(6)
Dividends	—	—	—	—	(31)	—	(31)
Repurchase of common stock	—	—	(56)	—	—	—	(56)
Net share settlement of incentive equity awards	—	—	—	(9)	—	—	(9)
Change in deferred compensation	—	—	—	9	—	—	9
<b>Balance as of March 31, 2023</b>	86	1	(1,020)	1,569	354	32	936
Net income	—	—	—	—	70	—	70
Other comprehensive income	—	—	—	—	—	4	4
Dividends	—	—	—	—	(30)	—	(30)
Repurchase of common stock	(2)	—	(109)	—	—	—	(109)
Change in deferred compensation	—	—	—	9	—	—	9
<b>Balance as of June 30, 2023</b>	84	1	(1,129)	1,578	394	36	880
Net income	—	—	—	—	103	—	103
Other comprehensive loss	—	—	—	—	—	(2)	(2)
Dividends	—	—	—	—	(29)	—	(29)
Repurchase of common stock	(1)	—	(105)	—	—	—	(105)
Change in deferred compensation	—	—	—	10	—	—	10
Other	—	—	—	—	(1)	—	(1)
<b>Balance as of September 30, 2023</b>	83	\$ 1	\$ (1,234)	\$ 1,588	\$ 467	\$ 34	\$ 856

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Equity
<b>Balance as of December 31, 2021</b>	92	\$ 1	\$ (519)	\$ 1,543	\$ 79	\$ (15)	\$ 1,089
Net income	—	—	—	—	106	—	106
Other comprehensive income	—	—	—	—	—	31	31
Dividends	—	—	—	—	(30)	—	(30)
Repurchase of common stock	—	—	(38)	—	—	—	(38)
Net share settlement of incentive equity awards	—	—	—	(9)	—	—	(9)
Change in deferred compensation	—	—	—	8	—	—	8
Exercise of stock options	—	—	—	2	—	—	2
<b>Balance as of March 31, 2022</b>	92	1	(557)	1,544	155	16	1,159
Net income	—	—	—	—	92	—	92
Other comprehensive income	—	—	—	—	—	7	7
Dividends	—	—	—	—	(29)	—	(29)
Repurchase of common stock	(2)	—	(142)	—	—	—	(142)
Net share settlement of incentive equity awards	—	—	—	(2)	—	—	(2)
Change in deferred compensation	—	—	—	9	—	—	9
Exercise of stock options	—	—	—	2	—	—	2
<b>Balance as of June 30, 2022</b>	90	1	(699)	1,553	218	23	1,096
Net income	—	—	—	—	101	—	101
Other comprehensive income	—	—	—	—	—	12	12
Dividends	—	—	—	—	(29)	—	(29)
Repurchase of common stock	(2)	—	(132)	—	—	—	(132)
Change in deferred compensation	—	—	—	8	—	—	8
<b>Balance as of September 30, 2022</b>	88	\$ 1	\$ (831)	\$ 1,561	\$ 290	\$ 35	\$ 1,056

See Notes to Condensed Consolidated Financial Statements.



**WYNDHAM HOTELS & RESORTS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unless otherwise noted, all amounts are in millions, except share and per share amounts)**  
**(Unaudited)**

**1. BASIS OF PRESENTATION**

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Wyndham Hotels & Resorts, Inc. (collectively with its consolidated subsidiaries, “Wyndham Hotels” or the “Company”) is a leading global hotel franchisor, licensing its renowned hotel brands to hotel owners in over 95 countries around the world.

The Condensed Consolidated Financial Statements have been prepared on a stand-alone basis. The Condensed Consolidated Financial Statements include the Company’s assets, liabilities, revenues, expenses and cash flows and all entities in which it has a controlling financial interest. The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany balances and transactions have been eliminated in the Condensed Consolidated Financial Statements.

In presenting the Condensed Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. In management’s opinion, the Condensed Consolidated Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These Condensed Consolidated Financial Statements should be read in conjunction with the Company’s 2022 Consolidated Financial Statements included in its most recent Annual Report on [Form 10-K](#) filed with the U.S. Securities and Exchange Commission (the “SEC”) and any subsequent reports filed with the SEC.

***Business Description***

Wyndham Hotels’ primary segment is hotel franchising which principally consists of licensing the Company’s lodging brands and providing related services to third-party hotel owners and others.

In the first quarter of 2023, the Company changed the composition of its reportable segments to reflect the recent changes in its Hotel Management segment due to the exit from the select-service management business, the sale of its two owned hotels and the exit from substantially all of its U.S. full-service management business in 2022. The remaining hotel management business, which is predominately the full-service international managed business, no longer meets the quantitative thresholds to be considered a reportable segment and as a result, the Company has aggregated, on a prospective basis, such management business within its Hotel Franchising segment.

**2. NEW ACCOUNTING PRONOUNCEMENTS**

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There were no recently issued accounting pronouncements applicable to the Company during the nine months ended September 30, 2023.

### 3. REVENUE RECOGNITION

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#### *Deferred Revenues*

Deferred revenues, or contract liabilities, generally represent payments or consideration received in advance for goods or services that the Company has not yet provided to the customer. Deferred revenues as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
Deferred initial franchise fee revenues	\$ 146	\$ 143
Deferred loyalty program revenues	91	85
Deferred other revenues	16	19
Total	<u>\$ 253</u>	<u>\$ 247</u>

Deferred initial franchise fees represent payments received in advance from prospective franchisees upon the signing of a franchise agreement and are generally recognized to revenue within 13 years. Deferred loyalty revenues represent the portion of loyalty program fees charged to franchisees, net of redemption costs, that have been deferred and will be recognized over time based upon loyalty point redemption patterns.

#### *Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. The consideration received from a customer is allocated to each distinct performance obligation and recognized as revenue when, or as, each performance obligation is satisfied. The following table summarizes the Company's remaining performance obligations for the twelve-month periods set forth below:

	10/1/2023 - 9/30/2024	10/1/2024 - 9/30/2025	10/1/2025 - 9/30/2026	Thereafter	Total
Initial franchise fee revenues	\$ 16	\$ 8	\$ 7	\$ 115	\$ 146
Loyalty program revenues	56	23	9	3	91
Other revenues	11	1	1	3	16
Total	<u>\$ 83</u>	<u>\$ 32</u>	<u>\$ 17</u>	<u>\$ 121</u>	<u>\$ 253</u>

#### *Disaggregation of Net Revenues*

In the first quarter of 2023, the Company changed the composition of its reportable segments to reflect the recent changes in its Hotel Management segment due to the exit from the select-service management business, the sale of its two owned hotels and the exit from substantially all of its U.S. full-service management business in 2022. The remaining hotel management business, which is predominately the full-service international managed business, no longer meets the quantitative thresholds to be considered a reportable segment and as a result, the Company has aggregated, on a prospective basis, such management business within its Hotel Franchising segment.

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The table below presents a disaggregation of the Company's net revenues from contracts with customers by major services and products for each of the Company's segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Hotel Franchising<sup>(a)</sup></b>				
Royalties and franchise fees	\$ 152	\$ 148	\$ 415	\$ 381
Marketing, reservation and loyalty	179	159	445	416
Management fees	3	—	11	—
License and other fees	30	28	83	74
Cost reimbursements	2	—	12	—
Other	36	32	110	103
<b>Total Hotel Franchising</b>	<b>402</b>	<b>367</b>	<b>1,076</b>	<b>974</b>
<b>Hotel Management</b>				
Royalties and franchise fees	n/a	4	n/a	13
Owned hotel revenues	n/a	—	n/a	42
Management fees	n/a	3	n/a	12
Cost reimbursements	n/a	32	n/a	119
Other	n/a	1	n/a	4
<b>Total Hotel Management</b>	<b>n/a</b>	<b>40</b>	<b>n/a</b>	<b>190</b>
<b>Net revenues</b>	<b>\$ 402</b>	<b>\$ 407</b>	<b>\$ 1,076</b>	<b>\$ 1,164</b>

(a) For 2023, the Hotel Franchising segment includes the former Hotel Management segment, which is primarily comprised of the Company's remaining international full-service managed business.

**Capitalized Contract Costs**

The Company incurs certain direct and incremental sales commissions costs in order to obtain hotel franchise contracts. Such costs are capitalized and subsequently amortized, beginning upon hotel opening, over the first non-cancellable period of the agreement. In the event an agreement is terminated prior to the end of the first non-cancellable period, any unamortized cost is immediately expensed. In addition, the Company also capitalizes costs associated with the sale and installation of property management systems to its franchisees, which are amortized over the remaining non-cancellable period of the franchise agreement. As of September 30, 2023 and December 31, 2022, capitalized contract costs were \$37 million and \$34 million, respectively, of which \$5 million and \$4 million, respectively, were included in other current assets and \$32 million and \$30 million, respectively, were included in other non-current assets on its Condensed Consolidated Balance Sheets.

#### 4. EARNINGS PER SHARE

The computation of basic and diluted earnings per share (“EPS”) is based on net income divided by the basic weighted average number of common shares and diluted weighted average number of common shares, respectively.

The following table sets forth the computation of basic and diluted EPS (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 103	\$ 101	\$ 240	\$ 299
Basic weighted average shares outstanding	84.0	89.5	85.2	91.2
Stock options and restricted stock units (“RSUs”) <sup>(a)</sup>	0.5	0.4	0.5	0.5
Diluted weighted average shares outstanding	<u>84.5</u>	<u>89.9</u>	<u>85.7</u>	<u>91.7</u>
<b>Earnings per share:</b>				
Basic	\$ 1.22	\$ 1.13	\$ 2.81	\$ 3.28
Diluted	1.21	1.13	2.79	3.26
<b>Dividends:</b>				
Cash dividends declared per share	\$ 0.35	\$ 0.32	\$ 1.05	\$ 0.96
Aggregate dividends paid to stockholders	\$ 29	\$ 29	\$ 90	\$ 88

(a) Diluted shares outstanding excludes shares related to stock options of 0.2 million for both the three and nine months ended September 30, 2023 and 0.4 million for both the three and nine months ended September 30, 2022. Diluted shares outstanding excludes shares related to RSUs of 0.4 million for both the three and nine months ended September 30, 2023, and 0.2 million for both the three and nine months ended September 30, 2022, respectively. Such shares are excluded as their effect would have been anti-dilutive under the treasury stock method.

#### Stock Repurchase Program

The following table summarizes stock repurchase activity under the current stock repurchase program (in millions, except per share data) which includes excise taxes and fees:

	Shares	Cost	Average Price Per Share
As of December 31, 2022	15.2	\$ 964	\$ 63.32
For the nine months ended September 30, 2023	3.8	270	71.44
As of September 30, 2023	<u>19.0</u>	<u>\$ 1,234</u>	<u>\$ 64.93</u>

The Company had \$569 million of remaining availability under its program as of September 30, 2023.

#### 5. ACCOUNTS RECEIVABLE

##### Allowance for Doubtful Accounts

The following table sets forth the activity in the Company’s allowance for doubtful accounts on trade accounts receivable for the nine months ended:

	2023	2022
Balance as of January 1,	\$ 64	\$ 81
Provision/(recovery) of doubtful accounts	2	(3)
Bad debt write-offs	(3)	(6)
Balance as of September 30,	<u>\$ 63</u>	<u>\$ 72</u>

## 6. HOTEL BRAND ACQUISITION

During September 2022, the Company completed the acquisition of the Vienna House hotel brand for a total purchase price of \$44 million. Vienna House's portfolio consisted of 41 franchised hotels across Europe, predominantly in Germany. This acquisition provides significant growth opportunities for the Vienna House brand by leveraging the Company's vast global scale and franchise expertise and is consistent with its strategy to expand its brand portfolio and total system size.

The purchase price was allocated based on the relative fair value, on a pro rata basis, of the indefinite-lived trademark and the franchise agreements acquired, which were assigned a 20-year life. The following table summarizes the fair value of the assets acquired in connection with Wyndham's acquisition of Vienna House:

	<b>Amount</b>
Franchise agreements	\$ 17
Trademark	27
<b>Total assets acquired</b>	<b>\$ 44</b>

This acquisition was assigned to the Company's Hotel Franchising segment. The results of operations of Vienna House have been included in the Consolidated Statements of Income since its date of acquisition. Such results were not material to the Company's results of operations for the three and nine months ended September 30, 2022.

## 7. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	<u>September 30, 2023</u>			<u>December 31, 2022</u>		
	<b>Gross Carrying Amount</b>			<b>Gross Carrying Amount</b>		
Goodwill	\$ 1,525			\$ 1,525		

  

	<u>September 30, 2023</u>			<u>December 31, 2022</u>		
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
<i>Unamortized intangible assets:</i>						
Trademarks			\$ 1,231			\$ 1,231
<i>Amortized intangible assets:</i>						
Franchise agreements	\$ 912	\$ 560	\$ 352	\$ 913	\$ 541	\$ 372
Management agreements	1	1	—	15	14	1
Trademarks	—	—	—	1	—	1
Other	1	—	1	1	—	1
	<u>\$ 914</u>	<u>\$ 561</u>	<u>\$ 353</u>	<u>\$ 930</u>	<u>\$ 555</u>	<u>\$ 375</u>

In March 2022, the Company completed the exit of its select-service hotel management business and received an \$4 million termination fee, which under the terms of the agreement with CorePoint Lodging effectively resulted in the sale of the rights to the management contracts that were acquired as part of the La Quinta Holdings purchase in 2018. The termination fee proceeds were completely offset by the write-off of the remaining balance of the related hotel management contract intangible asset and thus resulted in a full recovery of such asset. The proceeds were reported in proceeds from asset sales, net on the Condensed Consolidated Statement of Cash Flows. The franchise agreements for these hotels remained in place at their stated fee structure.

## 8. FRANCHISING, MARKETING AND RESERVATION ACTIVITIES

Royalties and franchise fee revenues on the Condensed Consolidated Statements of Income include initial franchise fees of \$4 million for the three months ended September 30, 2023 and 2022, and \$11 million and \$10 million for the nine months ended September 30, 2023 and 2022, respectively.

In accordance with its franchise agreements, the Company is generally contractually obligated to expend the marketing and reservation fees it collects from franchisees for the operation of an international, centralized, brand-specific reservation system and for marketing purposes such as advertising, promotional and co-marketing programs, and training for the respective franchisees.

### Development Advance Notes

The Company may, at its discretion, provide development advance notes to certain franchisees/hotel owners in order to assist them in converting to one of its' brands, in building a new hotel to be flagged under one of its' brands or in assisting in other franchisee expansion efforts. Provided the franchisee/hotel owner is in compliance with the terms of the franchise agreement, all or a portion of the development advance notes may be forgiven by the Company over the period of the franchise agreement. Otherwise, the related principal is due and payable to the Company. In certain instances, the Company may earn interest on unpaid franchisee development advance notes.

The Company's Condensed Consolidated Financial Statements include the following with respect to development advances:

<i>Condensed Consolidated Balance Sheets:</i>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Other non-current assets	\$ 203	\$ 144

During the third quarter of 2023, the Company made a non-cash reclass of \$25 million from other current assets to development advance notes in connection with the execution of franchise agreements.

<i>Condensed Consolidated Statements of Income:</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Forgiveness of notes <sup>(a)</sup>	\$ 4	\$ 3	\$ 11	\$ 9
Bad debt expense related to notes	—	—	1	1

(a) Amounts are recorded as a reduction of both royalties and franchise fees and marketing, reservation and loyalty revenues on the Condensed Consolidated Statements of Income.

<i>Condensed Consolidated Statements of Cash Flows:</i>	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Payments of development advance notes	\$ (48)	\$ (40)
Proceeds from repayment of development advance notes	1	4
Payments of development advance notes, net	<u>\$ (47)</u>	<u>\$ (36)</u>

## 9. INCOME TAXES

The Company files income tax returns in the U.S. federal and state jurisdictions, as well as in foreign jurisdictions. With certain exceptions, the Company is no longer subject to federal income tax examinations for years prior to 2019. The Company is no longer subject to state and local, or foreign, income tax examinations for years prior to 2016.

The Company made cash income tax payments, net of refunds, of \$67 million and \$75 million for the nine months ended September 30, 2023 and 2022, respectively.

The Company's effective tax rates were 24.3% and 27.3% during the three months ended September 30, 2023 and 2022, respectively. During 2023, the effective tax rate was lower primarily due to a state legislative change that resulted in the release of a valuation allowance and a tax benefit resulting from the release of a foreign unrecognized tax benefit.

The Company's effective tax rates were 25.7% and 25.8% during the nine months ended September 30, 2023 and 2022, respectively.

## 10. LONG-TERM DEBT AND BORROWING ARRANGEMENTS

The Company's indebtedness consisted of:

	September 30, 2023		December 31, 2022	
	Amount	Weighted Average Rate <sup>(b)</sup>	Amount	Weighted Average Rate <sup>(b)</sup>
<b>Long-term debt: <sup>(a)</sup></b>				
\$750 million revolving credit facility (due April 2027)	\$ 110	7.42%	\$ —	
\$400 million term loan A (due April 2027)	389	6.70%	399	5.92%
\$1.6 billion term loan B (due May 2025)	—		1,139	3.70%
\$1.1 billion term loan B (due May 2030)	1,125	4.11%	—	
4.375% senior unsecured notes (due August 2028)	495	4.38%	494	4.38%
Finance leases	41	4.50%	45	4.50%
Total long-term debt	2,160	4.59%	2,077	3.79%
Less: Current portion of long-term debt	37		20	
<b>Long-term debt</b>	<b>\$ 2,123</b>		<b>\$ 2,057</b>	

(a) The carrying amount of the term loans and senior unsecured notes are net of deferred debt issuance costs of \$ 17 million and \$11 million as of September 30, 2023 and December 31, 2022, respectively. The carrying amount of the term loan B is net of unamortized discounts of \$5 million as of September 30, 2023.

(b) Weighted average interest rates are based on the stated interest rate for the year to date periods and include the effects from hedging.

### Maturities and Capacity

The Company's outstanding debt as of September 30, 2023 matures as follows:

	<b>Long-Term Debt</b>
Within 1 year	\$ 37
Between 1 and 2 years	43
Between 2 and 3 years	48
Between 3 and 4 years	442
Between 4 and 5 years	514
Thereafter	1,076
Total	<b>\$ 2,160</b>

As of September 30, 2023, the available capacity under the Company's revolving credit facility was as follows:

	<b>Revolving Credit Facility</b>
Total capacity	\$ 750
Less: Borrowings	110
Less: Letters of credit	9
Available capacity	<b>\$ 631</b>

### *Revolving Credit Facility*

During the third quarter of 2023, the Company borrowed \$110 million on its revolving credit facility. Such borrowings are included within long-term debt on the Condensed Consolidated Balance Sheet.

### *Fourth Amendment to the Credit Agreement*

On May 25, 2023, the Company entered into a Fourth Amendment to the Credit Agreement dated May 30, 2018 (the “Amendment”), which, prior to giving effect to the Amendment, provided for senior secured credit facilities in an aggregate principal amount of \$2.35 billion, consisting of (i) a term loan B facility in an aggregate principal amount of \$1.6 billion maturing in May 2025 and (ii) a revolving credit facility in an aggregate principal amount of \$750 million maturing in April 2027. The Amendment provides for a new senior secured term loan B facility in an aggregate principal amount of \$1.14 billion maturing in May 2030, the proceeds of which were used to repay the existing term loan B facility. The interest rate per annum applicable to the new term loan B facility is equal to, at our option (a) Base Rate (as defined in the Credit Agreement), plus an applicable rate of 1.25% or (b) term SOFR, inclusive of the Secured Overnight Financing Rate (“SOFR”) Adjustment (defined as 0.10% per annum in the Credit Agreement), plus an applicable rate of 2.25%. The term SOFR with respect to the new term loan B is subject to a “floor” of 0.00%. The new term loan B is subject to the same prepayment provisions and covenants applicable to the prior term loan B facility, subject to customary exceptions and limitations, and is subject to equal quarterly amortization of principal of 0.25% of the initial principal amount, starting in the third quarter of 2023, the first full fiscal quarter after the closing date.

### *Deferred Debt Issuance Costs*

The Company classifies deferred debt issuance costs related to its revolving credit facility within other non-current assets on the Condensed Consolidated Balance Sheets. Such deferred debt issuance costs were \$3 million and \$4 million as of September 30, 2023 and December 31, 2022, respectively.

### *Cash Flow Hedge*

The Company has pay-fixed/receive-variable interest rate swaps which hedges the interest rate exposure on \$1 billion, or more than 96% of the outstanding amount of its term loan B as of September 30, 2023. The interest rate swaps consist of a \$600 million swap that expires in the second quarter of 2024 and has a weighted average fixed rate of 2.33% (plus applicable spreads) and a \$500 million swap that expires in the fourth quarter of 2024 and has a weighted average fixed rate of 0.91% (plus applicable spreads). As a result of the Amendment, as well as the discontinuance of LIBOR as a benchmark interest rate, during the second quarter of 2023 the Company amended its interest rate swaps to align with the change in the benchmark interest rate of the underlying debt. As such, the variable rates of such swap agreements are based on one-month SOFR. Additionally, during the third quarter of 2023, the Company entered into new pay-fixed/receive-variable interest rate swaps that hedges the interest rate exposure on \$600 million of its term loan B with an effective date in the second quarter of 2024 and an expiration date in the second quarter of 2028. The fixed rate associated with the new swaps is 3.84% (plus applicable spreads). The aggregate fair value of these interest rate swaps was an asset of \$45 million and \$53 million as of September 30, 2023 and December 31, 2022, respectively, which was included within other non-current assets on the Condensed Consolidated Balance Sheets. The effect of interest rate swaps on interest expense, net on the Condensed Consolidated Statements of Income was \$10 million and \$1 million of income for the three months ended September 30, 2023 and 2022, respectively, and \$26 million of income and \$7 million of expense for the nine months ended September 30, 2023 and 2022, respectively.

There was no hedging ineffectiveness recognized in the nine months ended September 30, 2023 or 2022. The Company expects to reclassify \$8 million of gains from accumulated other comprehensive income (“AOCI”) to interest expense during the next 12 months.



### *Interest Expense, Net*

The Company incurred net interest expense of \$27 million and \$21 million for the three months ended September 30, 2023 and 2022, respectively, and \$73 million and \$60 million for the nine months ended September 30, 2023 and 2022, respectively. Cash paid related to such interest was \$0 million and \$64 million for the nine months ended September 30, 2023 and 2022, respectively.

### *Early Extinguishment of Debt*

The Company incurred non-cash early extinguishment of debt costs of \$3 million and \$2 million during the nine months ended September 30, 2023 and 2022, respectively. The 2023 amount relates to the refinancing of the Company's term loan B during the second quarter of 2023. The 2022 amount related to the credit agreement amendment and \$400 million partial pay down of its term loan B.

## **11. FAIR VALUE**

The Company measures its financial assets and liabilities at fair value on a recurring basis and utilizes the fair value hierarchy to determine such fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value driver is observable.

Level 3: Unobservable inputs used when little or no market data is available. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input (closest to Level 3) that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques, as appropriate. The carrying amounts of cash and cash equivalents, trade receivables, accounts payable and accrued expenses and other current liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The carrying amounts and estimated fair values of all other financial instruments are as follows:

	September 30, 2023	
	Carrying Amount	Estimated Fair Value
<b>Debt</b>	\$ 2,160	\$ 2,132

The Company estimates the fair value of its debt using Level 2 inputs based on indicative bids from investment banks or quoted market prices with the exception of finance leases, which are estimated at carrying value.

### *Financial Instruments*

Changes in interest rates and foreign exchange rates expose the Company to market risk. The Company uses cash flow hedges as part of its overall strategy to manage its exposure to market risks associated with fluctuations in interest rates and foreign currency exchange rates. As a matter of policy, the Company only enters into transactions that it believes will be highly effective at offsetting the underlying risk, and it does not use derivatives for trading or speculative purposes. The Company estimates the fair value of its derivatives using Level 2 inputs.

### *Interest Rate Risk*

A portion of debt used to finance the Company's operations is exposed to interest rate fluctuations. The Company uses various hedging strategies and derivative financial instruments to create a desired mix of fixed and floating rate assets and liabilities. Derivative instruments currently used in these hedging strategies include interest rate swaps. The derivatives used to

manage the risk associated with the Company's floating rate debt are derivatives designated as cash flow hedges. See Note 10 - Long-Term Debt and Borrowing Arrangements for the impact of such cash flow hedges.

#### ***Foreign Currency Risk***

The Company has foreign currency rate exposure to exchange rate fluctuations worldwide, particularly with respect to the Canadian Dollar, Chinese Yuan, Euro, Brazilian Real, British Pound and Argentine Peso. The Company uses foreign currency forward contracts at various times to manage and reduce the foreign currency exchange rate risk associated with its foreign currency denominated receivables and payables, forecasted royalties and forecasted earnings and cash flows of foreign subsidiaries and other transactions. The Company recognized \$1 million of gains from freestanding foreign currency exchange contracts during both the three months ended September 30, 2023 and 2022. The Company recognized \$2 million of losses and \$3 million of gains from freestanding foreign currency exchange contracts during the nine months ended September 30, 2023 and 2022, respectively. Such gains and losses are included in operating expenses in the Condensed Consolidated Statements of Income.

The Company accounts for certain countries as a highly inflationary economy, with its exposure primarily related to Argentina. Foreign currency exchange losses related to Argentina were \$3 million and \$1 million during the three months ended September 30, 2023 and 2022, respectively. Foreign currency exchange losses related to Argentina were \$6 million and \$2 million during the nine months ended September 30, 2023 and 2022, respectively. Such losses are included in operating expenses in the Condensed Consolidated Statements of Income.

#### ***Credit Risk and Exposure***

The Company is exposed to counterparty credit risk in the event of nonperformance by counterparties to various agreements and sales transactions. The Company manages such risk by evaluating the financial position and creditworthiness of such counterparties and often by requiring collateral in instances in which financing is provided. The Company mitigates counterparty credit risk associated with its derivative contracts by monitoring the amounts at risk with each counterparty to such contracts, periodically evaluating counterparty creditworthiness and financial position, and where possible, dispersing its risk among multiple counterparties.

## **12. COMMITMENTS AND CONTINGENCIES**

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#### ***Litigation***

The Company is involved, at times, in claims, legal and regulatory proceedings and governmental inquiries arising in the ordinary course of its business, including but not limited to: breach of contract, fraud and bad faith claims with franchisees in connection with franchise agreements and with owners in connection with management contracts, as well as negligence, breach of contract, fraud, employment, consumer protection and other statutory claims asserted in connection with alleged acts or occurrences at owned, franchised or managed properties or in relation to guest reservations and bookings. The Company may also at times be involved in claims, legal and regulatory proceedings and governmental inquiries relating to bankruptcy proceedings involving efforts to collect receivables from a debtor in bankruptcy, employment matters, claims of infringement upon third parties' intellectual property rights, claims relating to information security, privacy and consumer protection, fiduciary duty/trust claims, tax claims, environmental claims and landlord/tenant disputes. Along with many of its competitors, the Company and/or certain of its subsidiaries have been named as defendants in litigation matters filed in state and federal courts, alleging statutory and common law claims related to purported incidents of sex trafficking at certain franchised and managed hotel facilities. Many of these matters are in the pleading or discovery stages at this time. In certain matters, discovery has closed and the parties are engaged in dispositive motion practice. As of September 30, 2023, the Company is aware of approximately 35 pending matters filed naming the Company and/or subsidiaries. Based upon the status of these matters, the Company has not made a determination as to the likelihood of any probable loss of any one of these matters and is unable to estimate a range of losses at this time.

The Company records an accrual for legal contingencies when it determines, after consultation with outside counsel, that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In making such determinations, the Company evaluates, among other things, the degree of probability of an unfavorable outcome, and when it is probable that a liability has been incurred, its ability to make a reasonable estimate of loss. The Company reviews these accruals each reporting period and makes revisions based on changes in facts and circumstances, including changes to its strategy in dealing with these matters.

The Company believes that it has adequately accrued for such matters with reserves of \$7 million and \$8 million as of September 30, 2023 and December 31, 2022, respectively. The Company also had receivables of \$4 million and \$6 million as of September 30, 2023 and December 31, 2022, respectively, for certain matters which are covered by insurance and were included in other current assets on its Condensed Consolidated Balance Sheets. Litigation is inherently unpredictable and,

although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable results could occur. As such, an adverse outcome from such proceedings for which claims are awarded in excess of the amounts accrued, if any, could be material to the Company with respect to earnings and/or cash flows in any given reporting period. As of September 30, 2023, the potential exposure resulting from adverse outcomes of such legal proceedings could, in the aggregate, range up to approximately \$7 million in excess of recorded accruals. However, the Company does not believe that the impact of such litigation will result in a material liability to the Company in relation to its combined financial position or liquidity.

**Guarantees**

*Separation-related guarantees*

The Company assumed one-third of certain contingent and other corporate liabilities of former Parent incurred prior to the spin-off, including liabilities of former Parent related to, arising out of or resulting from certain terminated or divested businesses, certain general corporate matters of former Parent and any actions with respect to the separation plan or the distribution made or brought by any third party.

**13. STOCK-BASED COMPENSATION**

The Company has a stock-based compensation plan available to grant non-qualified stock options, incentive stock options, stock-settled appreciation rights (“SSARs”), RSUs, performance-vesting restricted stock units (“PSUs”) and/or other stock-based awards to key employees and non-employee directors. Under the Wyndham Hotels & Resorts, Inc. 2018 Equity and Incentive Plan (“Stock Plan”), which became effective on May 14, 2018, a maximum of 10.0 million shares of common stock may be awarded. As of September 30, 2023, 4.8 million shares remained available.

During 2023, the Company granted incentive equity awards totaling \$28 million to key employees and senior officers in the form of RSUs. The RSUs generally vest ratably over a period of four years based on continuous service. Additionally, the Company approved incentive equity awards to key employees and senior officers in the form of PSUs with a maximum grant value of \$19 million. The PSUs generally cliff vest on the third anniversary of the grant date based on continuous service with the number of shares earned (0% to 200% of the target award) dependent upon the extent the Company achieves certain performance metrics.

*Incentive Equity Awards Granted by the Company*

The activity related to the Company’s incentive equity awards for the nine months ended September 30, 2023 consisted of the following:

	RSUs		PSUs	
	Number of RSUs	Weighted Average Grant Price	Number of PSUs	Weighted Average Grant Price
Balance as of December 31, 2022	1.0	\$ 67.90	0.3	\$ 69.82
Granted <sup>(a)</sup>	0.4	77.17	0.3 <sup>(b)</sup>	77.45
Vested	(0.4)	63.42	—	—
Canceled	—	—	(0.1)	53.40
Balance as of September 30, 2023	1.0 <sup>(c)</sup>	\$ 72.67	0.5 <sup>(d)</sup>	\$ 76.56

(a) Represents awards granted by the Company primarily in March 2023.

(b) Represents awards granted by the Company at the maximum achievement level of 200% of target payout. Actual shares that may be issued can range from 0% to 200% of target.

(c) RSUs outstanding as of September 30, 2023 have an aggregate unrecognized compensation expense of \$ 53 million, which is expected to be recognized over a weighted average period of 2.6 years.

(d) PSUs outstanding as of September 30, 2023 have an aggregate maximum potential unrecognized compensation expense of \$ 25 million, which may be recognized over a weighted average period of 2.1 years based on attainment of targets.

There were no stock options granted in 2023 or 2022. The activity related to stock options for the nine months ended September 30, 2023 consisted of the following:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2022	1.0	\$ 55.90		
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Outstanding as of September 30, 2023	<u>1.0</u>	\$ 55.89	2.9	\$ 14
Unvested as of September 30, 2023	0.1 <sup>(a)</sup>	\$ 56.47	2.7	\$ 2
Exercisable as of September 30, 2023	0.9	\$ 55.79	3.0	\$ 12

(a) Unvested options as of September 30, 2023 are expected to vest over time and have an aggregate unrecognized compensation expense of \$ 1 million, which will be recognized over a weighted average period of 1.0 year.

#### *Stock-Based Compensation Expense*

Stock-based compensation expense was \$10 million and \$8 million for the three months ended September 30, 2023 and 2022, and \$28 million and \$25 million for the nine months ended September 30, 2023 and 2022, respectively.

#### **14. SEGMENT INFORMATION**

The reportable segments presented below represent the Company’s operating segments for which separate financial information is available and is utilized on a regular basis by its chief operating decision maker to assess performance and allocate resources. In identifying its reportable segments, the Company also considers the nature of services provided by its operating segments. Management evaluates the operating results of each of its reportable segments based upon net revenues and “adjusted EBITDA”, which is defined as net income/(loss) excluding net interest expense, depreciation and amortization, early extinguishment of debt charges, impairment charges, restructuring and related charges, contract termination costs, separation-related items, transaction-related items (acquisition-, disposition-, or debt-related), (gain)/loss on asset sales, foreign currency impacts of highly inflationary countries, stock-based compensation expense, income taxes and development advance notes amortization. The Company believes that adjusted EBITDA is a useful measure of performance for its segments which, when considered with U.S. GAAP measures, allows a more complete understanding of its operating performance. The Company uses this measure internally to assess operating performance, both absolutely and in comparison to other companies, and to make day to day operating decisions, including in the evaluation of selected compensation decisions. The Company’s presentation of adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

In the first quarter of 2023, the Company changed the composition of its reportable segments to reflect the recent changes in its Hotel Management segment due to the exit from the select-service management business, the sale of its two owned hotels and the exit from substantially all of its U.S. full-service management business. The remaining hotel management business, which is predominately the full-service international managed business, no longer meets the quantitative thresholds to be considered a reportable segment and as a result, the Company has aggregated, on a prospective basis, such management business within its Hotel Franchising segment.

	<b>Three Months Ended September 30,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Net Revenues</b>	<b>Adjusted EBITDA</b>	<b>Net Revenues</b>	<b>Adjusted EBITDA</b>
Hotel Franchising <sup>(a)</sup>	\$ 402	\$ 215	\$ 367	\$ 201
Hotel Management	n/a	n/a	40	7
Total Reportable Segments	402	215	407	208
Corporate and Other	—	(15)	—	(17)
Total Company	\$ 402	\$ 200	\$ 407	\$ 191

(a) For 2023, the Hotel Franchising segment includes the former Hotel Management segment, which is primarily comprised of the Company's remaining international full-service managed business.

The table below is a reconciliation of net income to adjusted EBITDA.

	<b>Three Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Net income	103	101
Provision for income taxes	33	38
Depreciation and amortization	19	18
Interest expense, net	27	21
Stock-based compensation	10	8
Development advance notes amortization	4	3
Transaction-related	1	—
Separation-related	—	1
Foreign currency impact of highly inflationary countries	3	1
Adjusted EBITDA	\$ 200	\$ 191

	<b>Nine Months Ended September 30,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Net Revenues</b>	<b>Adjusted EBITDA</b>	<b>Net Revenues</b>	<b>Adjusted EBITDA</b>
Hotel Franchising <sup>(a)</sup>	\$ 1,076	\$ 554	\$ 974	\$ 541
Hotel Management	n/a	n/a	190	33
Total Reportable Segments	1,076	554	1,164	574
Corporate and Other	—	(49)	—	(50)
Total Company	\$ 1,076	\$ 505	\$ 1,164	\$ 524

(a) For 2023, the Hotel Franchising segment includes the former Hotel Management segment, which is primarily comprised of the Company's remaining international full-service managed business.

The table below is a reconciliation of net income to adjusted EBITDA.

	Nine Months Ended September 30,	
	2023	2022
Net income	\$ 240	\$ 299
Provision for income taxes	83	104
Depreciation and amortization	56	58
Interest expense, net	73	60
Early extinguishment of debt	3	2
Stock-based compensation	28	25
Development advance notes amortization	11	9
Transaction-related	5	—
Gain on asset sale, net	—	(35)
Foreign currency impact of highly inflationary countries	6	2
Adjusted EBITDA	\$ 505	\$ 524

## 15. OTHER EXPENSES AND CHARGES

### *Transaction-Related*

The Company recognized transaction-related expenses of \$1 million and \$5 million during the three and nine months ended September 30, 2023, respectively, related to corporate transactions, including costs associated with the refinancing of the Company's term loan B.

### *Separation-Related*

During the three months ended June 30, 2023, the Company reversed a \$2 million reserve which was offset by \$2 million of costs incurred in the first quarter of 2023, both of which were tax-related matters. The Company recognized separation-related charges of \$1 million for the three months ended September 30, 2022 primarily associated with a tax-related matter. In the nine months ending September 30, 2022, the charge of \$1 million incurred in the third quarter was offset by the reversal of a \$1 million reserve in the second quarter of 2022 relating to the settlement of an outstanding matter.

### *Gain on Asset Sale, Net*

In March 2022, the Company completed the sale of its Wyndham Grand Bonnet Creek Resort for gross proceeds of \$21 million (\$118 million, net of transaction costs) and recognized a \$35 million gain, net of transaction costs, for the nine months ended September 30, 2022, which included a \$1 million charge related to post-closing adjustments recorded in the second quarter of 2022. Such amounts were attributable to the Company's hotel management business and were reported within gain on asset sale, net on the Condensed Consolidated Statement of Income. Additionally, the Company entered into a 20 year franchise agreement with the buyer.

In May 2022, the Company completed the sale of its Wyndham Grand Rio Mar Resort for gross proceeds of \$2 million (\$61 million, net of transaction costs). There was no gain or loss on the sale. Additionally, the Company entered into a 20 year franchise agreement with the buyer.

**16. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)**

The components of AOCI are as follows:

Net of Tax	Foreign Currency Translation Adjustments	Cash Flow Hedges	Accumulated Other Comprehensive Income/(Loss)
Balance as of December 31, 2022	\$ (3)	\$ 41	\$ 38
Period change	2	(8)	(6)
Balance as of March 31, 2023	(1)	33	32
Period change	2	2	4
Balance as of June 30, 2023	1	35	36
Period change	(2)	—	(2)
Balance as of September 30, 2023	<u>\$ (1)</u>	<u>\$ 35</u>	<u>\$ 34</u>
<b>Net of Tax</b>			
Balance as of December 31, 2021	\$ 2	\$ (17)	\$ (15)
Period change	—	31	31
Balance as of March 31, 2022	2	14	16
Period change	(2)	9	7
Balance as of June 30, 2022	—	23	23
Period change	(7)	19	12
Balance as of September 30, 2022	<u>\$ (7)</u>	<u>\$ 42</u>	<u>\$ 35</u>

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**  
**(Unless otherwise noted, all amounts are in millions, except share and per share amounts)**
**Forward-Looking Statements**

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), as amended. These statements include, but are not limited to, statements related to our views and expectations regarding our strategy and the performance of our business, our financial results, our liquidity and capital resources, share repurchases and dividends and other non-historical statements. We claim the protection of the Safe Harbor contained in the Private Securities Litigation Reform Act of 1995 for forward-looking statements. Forward-looking statements include those that convey management’s expectations as to the future based on plans, estimates and projections at the time we make the statements and may be identified by words such as “will,” “expect,” “believe,” “plan,” “anticipate,” “intend,” “goal,” “future,” “outlook,” “guidance,” “target,” “objective,” “estimate,” “projection” and similar words or expressions, including the negative version of such words and expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

Factors that could cause actual results to differ materially from those in the forward-looking statements include without limitation general economic conditions, including inflation, higher interest rates and potential recessionary pressures; the worsening of the effects from the coronavirus pandemic, (“COVID-19”); COVID-19’s scope, duration, resurgence and impact on our business operations, financial results, cash flows and liquidity, as well as the impact on our franchisees, guests and team members, the hospitality industry and overall demand for and restrictions on travel; our continued performance during the recovery from COVID-19, and any resurgence or mutations of the virus; concerns with or threats of other pandemics, contagious diseases or health epidemics, including the effects of COVID-19; the performance of the financial and credit markets; the economic environment for the hospitality industry; operating risks associated with the hotel franchising business; our relationships with franchisees; the impact of war, terrorist activity, political instability or political strife, including the ongoing conflict between Russia and Ukraine; the Company’s ability to satisfy obligations and agreements under its outstanding indebtedness, including the payment of principal and interest and compliance with the covenants thereunder; risks related to our ability to obtain financing and the terms of such financing, including access to liquidity and capital; and the Company’s ability to make or pay, plans for and the timing and amount of any future share repurchases and/or dividends, as

well as the risks described in our most recent Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) and subsequent reports filed with the SEC. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required by law.

We may use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Disclosures of this nature will be included on our website in the “Investors” section, which can currently be accessed at [www.investor.wyndhamhotels.com](http://www.investor.wyndhamhotels.com). Accordingly, investors should monitor this section of our website in addition to following our press releases, filings submitted with the SEC and any public conference calls or webcasts.

References herein to “Wyndham Hotels,” the “Company,” “we,” “our” and “us” refer to Wyndham Hotels & Resorts, Inc. and its consolidated subsidiaries.

## **BUSINESS AND OVERVIEW**

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Wyndham Hotels & Resorts is a leading global hotel franchisor, licensing its renowned hotel brands to hotel owners in over 95 countries around the world.

Our primary segment is hotel franchising which principally consists of licensing our lodging brands and providing related services to third-party hotel owners and others.

In the first quarter of 2023, we changed the composition of our reportable segments to reflect the recent changes in our Hotel Management segment due to the exit from the select-service management business, the sale of our two owned hotels and the exit from substantially all of our U.S. full-service management business in 2022. The remaining hotel management business, which is predominately the full-service international managed business, no longer meets the quantitative thresholds to be considered a reportable segment and as a result, we have aggregated, on a prospective basis, such management business within our Hotel Franchising segment.

### ***Rejection of Unsolicited Offer***

On October 17, 2023, we announced that our Board of Directors unanimously rejected a highly conditional, unsolicited stock-and-cash proposal by Choice Hotels International, Inc. (“Choice”) to acquire all outstanding shares of Wyndham. Our Board of Directors, together with our financial and legal advisors, closely reviewed Choice’s latest proposal with a nominal value of \$90 per share, comprised of 45% in stock and 55% in cash, and determined that it is not in the best interest of shareholders to accept the proposal.

## **RESULTS OF OPERATIONS**

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Discussed below are our key operating statistics, consolidated results of operations and the results of operations for each of our reportable segments. The reportable segments presented below represent our operating segments for which discrete financial information is available and used on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also consider the nature of services provided by our operating segments. Management evaluates the operating results of each of our reportable segments based upon net revenues and adjusted EBITDA. Adjusted EBITDA is defined as net income/(loss) excluding net interest expense, depreciation and amortization, early extinguishment of debt charges, impairment charges, restructuring and related charges, contract termination costs, separation-related items, transaction-related items (acquisition-, disposition-, or debt-related), (gain)/loss on asset sales, foreign currency impacts of highly inflationary countries, stock-based compensation expense, income taxes and development advance notes amortization. We believe that adjusted EBITDA is a useful measure of performance for our segments and, when considered with U.S. Generally Accepted Accounting Principles (“GAAP”) measures, gives a more complete understanding of our operating performance. We use this measure internally to assess operating performance, both absolutely and in comparison to other companies, and to make day to day operating decisions, including in the evaluation of selected compensation decisions. Adjusted EBITDA is not a recognized term under U.S. GAAP and should not be considered as an alternative to net income or other measures of financial performance or liquidity derived in accordance with U.S. GAAP. Our presentation of adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

We generate royalties and franchise fees, management fees and other revenues from hotel franchising and hotel management activities, as well as fees from licensing our “Wyndham” trademark, certain other trademarks and intellectual property. In addition, pursuant to our franchise and management contracts with third-party hotel owners, we generate marketing, reservation and loyalty fee revenues and cost reimbursement revenues that over time are offset, respectively, by the marketing, reservation and loyalty costs and property operating costs that we incur.



**OPERATING STATISTICS**

The table below presents our operating statistics for the three and nine months ended September 30, 2023 and 2022. “Rooms” represent the number of hotel rooms at the end of the period which are either under franchise and/or management agreements and properties under affiliation agreements for which we receive a fee for reservation and/or other services provided. “RevPAR” represents revenue per available room and is calculated by multiplying average occupancy rate by average daily rate. “Average royalty rate” represents the average royalty rate earned on our franchised properties and is calculated by dividing total royalties, excluding the impact of amortization of development advance notes, by total room revenues. These operating statistics are drivers of our revenues and therefore provide an enhanced understanding of our business. Refer to the section below for a discussion as to how these operating statistics affected our business for the periods presented.

	As of September 30,		% Change
	2023	2022	
<b>Rooms</b>			
United States	495,700	492,900	1%
International	362,300	343,100	6%
Total rooms	858,000	836,000	3%
	Three Months Ended September 30,		Change
	2023	2022	
<b>RevPAR</b>			
United States	\$ 58.46	\$ 59.15	(1%)
International <sup>(a)</sup>	38.05	34.79	9%
Global RevPAR <sup>(a)</sup>	49.71	49.17	1%
<b>Average Royalty Rate</b>			
United States	4.6 %	4.6 %	—
International	2.5 %	2.1 %	40 bps
Global average royalty rate	3.9 %	3.9 %	—
	Nine Months Ended September 30,		% Change
	2023	2022	
<b>RevPAR</b>			
United States	\$ 52.56	\$ 52.32	—%
International <sup>(b)</sup>	33.59	28.19	19%
Global RevPAR <sup>(b)</sup>	44.52	42.58	5%
<b>Average Royalty Rate</b>			
United States	4.6 %	4.6 %	—
International	2.4 %	2.1 %	30 bps
Global average royalty rate	3.9 %	4.0 %	(10 bps)

(a) Excluding currency effects, international RevPAR increased 16% and global RevPAR increased 3%.

(b) Excluding currency effects, international RevPAR increased 27% and global RevPAR increased 7%.

Global rooms grew 3% compared to the prior year, reflecting 1% growth in the U.S. and 6% growth internationally. These increases included strong growth in both the higher RevPAR midscale and above segments in the U.S. and the direct franchising business in China, which grew 4% and 16%, respectively.

Excluding currency effects, global RevPAR for the three months ended September 30, 2023 increased 3% compared to the prior year period, reflecting a decline of 1% in the U.S. and international growth of 16%. The Company had achieved record-breaking RevPAR in the U.S. during the preceding year due to COVID-impacted travel patterns. Our U.S. economy brands gained market share of 100 basis points in the third quarter. Comparing to 2019 to neutralize for COVID-impacted travel patterns, U.S. RevPAR grew 9%, a 30 basis point acceleration from second quarter 2023 growth. The international RevPAR growth was driven equally by stronger pricing power and higher occupancy levels in connection with COVID recovery, and compared to 2019 grew 45% on a constant-currency basis, a 120 basis point acceleration from second quarter 2023 growth.

Excluding currency effects, global RevPAR for the nine months ended September 30, 2023 increased 7% compared to the prior year period, reflecting international growth of 27% as a result of stronger pricing power.

**THREE MONTHS ENDED SEPTEMBER 30, 2023 VS. THREE MONTHS ENDED SEPTEMBER 30, 2022**

	Three Months Ended September 30,		Change	% Change
	2023	2022		
<b>Revenues</b>				
Fee-related and other revenues	\$ 400	\$ 375	\$ 25	7 %
Cost reimbursement revenues	2	32	(30)	n/m
Net revenues	402	407	(5)	(1 %)
<b>Expenses</b>				
Marketing, reservation and loyalty expense	162	147	15	10 %
Cost reimbursement expense	2	32	(30)	n/m
Other expenses	75	68	7	10 %
Total expenses	239	247	(8)	(3 %)
Operating income	163	160	3	2 %
Interest expense, net	27	21	6	29 %
Income before income taxes	136	139	(3)	(2 %)
Provision for income taxes	33	38	(5)	(13 %)
Net income	<u>\$ 103</u>	<u>\$ 101</u>	<u>\$ 2</u>	<u>2 %</u>

Net revenues for the three months ended September 30, 2023 decreased \$5 million, or 1%, compared to the prior-year period, primarily driven by:

- \$30 million of lower cost-reimbursement revenues related to the exit of substantially all of our U.S. full service management business, which have no impact on net income; and
- \$5 million of lower termination fees; partially offset by
- \$20 million of higher marketing, reservation and loyalty revenues primarily related to fees associated with our global conference;
- \$5 million of higher royalty fees resulting from RevPAR and rooms increases; and
- \$5 million of higher license fees and other ancillary revenues.

Total expenses for the three months ended September 30, 2023 decreased \$8 million, or 3%, compared to the prior-year period, primarily driven by:

- \$30 million of lower cost-reimbursement revenues associated with the exit of substantially all of our U.S. full-service management business, which have no impact on net income; partially offset by
- \$15 million of higher marketing, reservation and loyalty expenses primarily as a result of the costs associated with our global conference and timing of advertising spend; and
- \$6 million of higher operating and general and administrative expenses primarily driven by revenue-generating activities.

Interest expense, net for the three months ended September 30, 2023 increased \$6 million, or 29%, compared to the prior-year period primarily due to a higher variable interest rate on our term loan A and term loan B in 2023.

Our effective tax rates were 24.3% and 27.3% during the three months ended September 30, 2023 and 2022, respectively. During 2023, the effective tax rate was lower primarily due to a state legislative change that resulted in the release of a valuation allowance and a tax benefit resulting from the release of a foreign unrecognized tax benefit.

As a result of these items, net income for the three months ended September 30, 2023 increased \$2 million compared to the prior-year period.

The table below is a reconciliation of net income to adjusted EBITDA.

	Three Months Ended September 30,	
	2023	2022
Net income	\$ 103	\$ 101
Provision for income taxes	33	38
Depreciation and amortization	19	18
Interest expense, net	27	21
Stock-based compensation	10	8
Development advance notes amortization	4	3
Transaction-related	1	—
Separation-related	—	1
Foreign currency impact of highly inflationary countries	3	1
Adjusted EBITDA	<u>\$ 200</u>	<u>\$ 191</u>

Following is a discussion of the results of our Hotel Franchising segment and Corporate and Other for the three months ended September 30, 2023 compared to the three months ended September 30, 2022:

	Net Revenues			Adjusted EBITDA		
	2023	2022	% Change	2023	2022	% Change
Hotel Franchising <sup>(a)</sup>	\$ 402	\$ 367	10%	\$ 215	\$ 201	7%
Hotel Management	n/a	40	n/a	n/a	7	n/a
Corporate and Other	—	—	n/a	(15)	(17)	12 %
Total Company	<u>\$ 402</u>	<u>\$ 407</u>	<u>(1%)</u>	<u>\$ 200</u>	<u>\$ 191</u>	<u>5%</u>

(a) For 2023, the Hotel Franchising segment includes the former Hotel Management segment, which is primarily comprised of our remaining international full-service managed business.

### Hotel Franchising

Net revenues increased \$35 million, or 10%, compared to the third quarter of 2022, primarily driven by:

- \$20 million of higher marketing, reservation and loyalty fees primarily reflecting fees related to the global franchisee conference as well as an increase in RevPAR and rooms;
- \$6 million of higher license fees and other ancillary revenues;
- \$4 million of higher royalties resulting from RevPAR and rooms increases;
- \$3 million of management fees primarily from our international full-service management business which were reported within the Hotel Management segment in 2022; and
- \$2 million of higher cost-reimbursement revenues in our international full-service managed properties that have no impact on adjusted EBITDA.

Adjusted EBITDA increased \$14 million, or 7%, compared to the third quarter of 2022, primarily driven by higher revenues partially offset by (i) a \$15 million increase in marketing, reservation and loyalty expenses primarily due to costs associated with our global franchisee conference and (ii) \$8 million of higher operating and general and administrative expenses primarily related to revenue-generating activities.

### Corporate and Other

Adjusted EBITDA was favorable by \$2 million compared to the prior-year period.

**NINE MONTHS ENDED SEPTEMBER 30, 2023 VS. NINE MONTHS ENDED SEPTEMBER 30, 2022**

	<b>Nine Months Ended September 30,</b>		<b>Change</b>	<b>% Change</b>
	<b>2023</b>	<b>2022</b>		
<b>Revenues</b>				
Fee-related and other revenues	\$ 1,064	\$ 1,045	\$ 19	2 %
Cost reimbursement revenues	12	119	(107)	n/m
Net revenues	1,076	1,164	(88)	(8 %)
<b>Expenses</b>				
Marketing, reservation and loyalty expense	446	384	62	16 %
Cost reimbursement expense	12	119	(107)	n/m
Gain on asset sale, net	—	(35)	35	n/a
Other expenses	219	231	(12)	(5 %)
Total expenses	677	699	(22)	(3 %)
Operating income	399	465	(66)	(14 %)
Interest expense, net	73	60	13	22 %
Early extinguishment of debt	3	2	1	50 %
Income before income taxes	323	403	(80)	(20 %)
Provision for income taxes	83	104	(21)	(20 %)
Net income	<u>\$ 240</u>	<u>\$ 299</u>	<u>\$ (59)</u>	<u>(20 %)</u>

Net revenues for the nine months ended September 30, 2023 decreased \$88 million, or 8%, compared to the prior-year period, primarily driven by;

- \$79 million of lower revenues associated with our select-service management and owned hotel businesses (which we exited in the first half of 2022) of which \$29 million represented cost-reimbursement revenues which have no impact on net income; and
- \$78 million of lower cost-reimbursement revenues associated with the exit of substantially all of our U.S. full-service management business, which have no impact on net income; partially offset by
- \$29 million of higher royalty and franchise fees primarily due to the RevPAR and rooms increases;
- \$29 million of higher marketing, reservation and loyalty fees primarily reflecting RevPAR and rooms increases and revenues associated with our global franchisee conference during the third quarter of 2023; and
- \$12 million of higher license and other fees.

Total expenses for the nine months ended September 30, 2023 decreased \$22 million, or 3%, compared to the prior-year period, primarily driven by;

- \$78 million of lower cost-reimbursement expenses associated with the exit of substantially all of our U.S. full-service management business, which have no impact on net income; and
- \$65 million of lower expenses associated with our select-service management and owned hotel businesses, of which \$29 million represented cost-reimbursement expenses as discussed above; partially offset by
- \$62 million of higher marketing, reservation and loyalty expenses primarily as a result of timing of spend and costs associated with our global franchisee conference;
- \$35 million from absence of the gain on asset sale in 2022 related to the sale our owned hotel Wyndham Grand Bonnet Creek Resort;
- \$9 million of higher operating expenses primarily driven by revenue-generating activities;
- \$7 million of higher general and administrative expenses; and
- \$5 million of transaction-related expenses primarily related to our term loan refinancing.

Interest expense, net for the nine months ended September 30, 2023 increased \$13 million, or 22%, compared to the prior-year period primarily due to a higher variable interest rate on our term loan A in 2023.

Early extinguishment of debt of \$3 million in 2023 relates to the refinancing of our term loan B, while the \$2 million in 2022 relates to the amendment of our credit agreement and \$400 million partial pay down of our term loan B.

Our effective tax rates were 25.7% and 25.8% during the nine months ended September 30, 2023 and 2022, respectively.

As a result of these items, net income for the nine months ended September 30, 2023 decreased \$59 million compared to the prior-year period.

The table below is a reconciliation of net income to adjusted EBITDA.

	Nine Months Ended September 30,	
	2023	2022
Net income	\$ 240	\$ 299
Provision for income taxes	83	104
Depreciation and amortization	56	58
Interest expense, net	73	60
Early extinguishment of debt	3	2
Stock-based compensation	28	25
Development advance notes amortization	11	9
Transaction-related	5	—
Gain on asset sale, net	—	(35)
Foreign currency impact of highly inflationary countries	6	2
Adjusted EBITDA	<u>\$ 505</u>	<u>\$ 524</u>

Following is a discussion of the results of our Hotel Franchising segment and Corporate and Other for the nine months ended September 30, 2023 compared to September 30, 2022:

	Net Revenues			Adjusted EBITDA		
	2023	2022	% Change	2023	2022	% Change
Hotel Franchising <sup>(a)</sup>	\$ 1,076	\$ 974	10%	\$ 554	\$ 541	2%
Hotel Management	n/a	190	n/a	n/a	33	n/a
Corporate and Other	—	—	n/a	(49)	(50)	2%
Total Company	<u>\$ 1,076</u>	<u>\$ 1,164</u>	<u>(8%)</u>	<u>\$ 505</u>	<u>\$ 524</u>	<u>(4%)</u>

(a) For 2023, the Hotel Franchising segment includes the former Hotel Management segment, which is primarily comprised of our remaining international full-service managed business.

### Hotel Franchising

Net revenues for the nine months ended September 30, 2023 increased \$102 million, or 10%, compared to the prior-year period, primarily driven by:

- \$34 million of higher royalty and franchise fees, primarily reflecting the RevPAR and rooms increases;
- \$29 million of higher marketing, reservation and loyalty revenues, primarily reflecting the RevPAR and room increases and revenues associated with our global franchisee conference;
- \$16 million of higher license and other fees;
- \$12 million of higher cost-reimbursement revenues primarily from our international full-service managed properties that have no impact on adjusted EBITDA; and
- \$11 million of management fees primarily from our international full-service management business which were reported within our Hotel Management segment in 2022.

Adjusted EBITDA for the nine months ended September 30, 2023 increased \$13 million compared to the prior-year period, primarily driven by the revenue increases discussed above, partially offset by \$62 million of higher marketing, reservation and loyalty expenses as well as \$10 million of higher operating expenses principally driven by revenue-generating activities and \$4 million of higher general and administrative expenses.

### Corporate and Other

Adjusted EBITDA for the nine months ended September 30, 2023 was favorable by \$1 million compared to the prior-year period.

## DEVELOPMENT

On September 30, 2023, the Company's global development pipeline consisted of over 1,930 hotels and approximately 237,000 rooms, representing a 12% year-over-year increase, including 16% growth in the U.S. Approximately 69% of the Company's pipeline is in the midscale and above segments and 58% is international. Additionally, approximately 80% of the Company's pipeline is new construction, of which approximately 34% has broken ground. During third quarter 2023, the Company awarded over 230 new contracts for franchise agreements, an increase of 8%, including 60 new construction projects for its ECHO Suites Extended Stay by Wyndham brand. This brings the total number of contracts awarded for the brand to 265 since its launch, or nearly 33,000 rooms.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Financial Condition

	September 30, 2023	December 31, 2022	Change
Total assets	\$ 4,100	\$ 4,123	\$ (23)
Total liabilities	3,244	3,161	83
Total stockholders' equity	856	962	(106)

Total assets decreased \$23 million from December 31, 2022 to September 30, 2023 primarily related to utilizing our excess cash for share repurchases in 2023. Such decrease in cash was partially offset by higher development advance notes and trade receivables. Total liabilities increased \$83 million from December 31, 2022 to September 30, 2023 primarily related to an increase in our debt balance relating to borrowings under our revolving credit facility. Total equity decreased \$106 million from December 31, 2022 to September 30, 2023 primarily due to \$270 million of stock repurchases and \$90 million of dividend payments, partially offset by our net income.

### Liquidity and Capital Resources

Historically, our business generates sufficient cash flow to not only support our current operations as well as our future growth needs and dividend payments to our stockholders, but also to create additional value for our stockholders in the form of share repurchases or business investment.

As of September 30, 2023, our liquidity approximated \$710 million. Given the minimal capital needs and flexible cost structure of our business, we believe that our existing cash, cash equivalents, cash generated through operations and our expected access to financing facilities, together with funding through our revolving credit facility, will be sufficient to fund our operating activities, anticipated capital expenditures and growth needs.

As of September 30, 2023, we were in compliance with the financial covenants of our credit agreement and expect to remain in such compliance. As of September 30, 2023, we had a term loan B with a principal outstanding balance of \$1.1 billion maturing in 2030, term loan A with a principal outstanding balance of \$390 million maturing in 2027 and a five-year revolving credit facility maturing in 2027 with a maximum aggregate principal amount of \$750 million, of which \$110 million was outstanding and \$9 million was allocated to outstanding letters of credit.

The interest rate per annum applicable to our term loan B is equal to, at our option, either a base rate plus a margin of 1.25% or the Secured Overnight Financing Rate ("SOFR") plus a margin of 2.25% plus a 0.10% SOFR adjustment. Our revolving credit facility and term loan A are subject to an interest rate per annum equal to, at our option, either a base rate plus a margin ranging from 0.50% to 1.00% or SOFR plus a 0.10% SOFR adjustment, plus a margin ranging from 1.50% to 2.00%, in either case based upon our total leverage ratio and the total leverage of our restricted subsidiaries. As of September 30, 2023, this margin on our term loan A was 1.75%.

As of September 30, 2023, \$1.1 billion of our term loan B is hedged with pay-fixed/receive-variable interest rate swaps hedging our term loan interest rate exposure. The aggregate fair value of these interest rate swaps was a \$45 million asset as of September 30, 2023.

As of September 30, 2023, our credit rating was Ba1 from Moody's Investors Service, BB+ from Standard and Poor's Rating Agency and BB+ from Fitch Ratings. A credit rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal by the assigning rating organization. Reference in this report to any such credit rating is intended for the limited purpose of discussing or referring to aspects of our liquidity and of our costs of funds. Any reference to

a credit rating is not intended to be any guarantee or assurance of, nor should there be any undue reliance upon, any credit rating or change in credit rating, nor is any such reference intended as any inference concerning future performance, future liquidity or any future credit rating. Our liquidity and access to capital may be impacted by our credit ratings, financial performance and global credit market conditions.

## CASH FLOW

The following table summarizes the changes in cash, cash equivalents and restricted cash during the nine months ended September 30, 2023 and 2022:

	<b>Nine Months Ended September 30,</b>		
	<b>2023</b>	<b>2022</b>	<b>Change</b>
Cash provided by/(used in)			
Operating activities	\$ 253	\$ 349	\$ (96)
Investing activities	(50)	190	(240)
Financing activities	(283)	(420)	137
Effects of changes in exchange rates on cash, cash equivalents and restricted cash	(2)	(4)	2
Net change in cash, cash equivalents and restricted cash	<u>\$ (82)</u>	<u>\$ 115</u>	<u>\$ (197)</u>

Net cash provided by operating activities decreased \$96 million compared to the prior-year period primarily due to a higher use of cash associated with (i) trade receivables as collections patterns return to pre-COVID norms, (ii) development advance notes and (iii) timing of accounts payable.

Net cash used in investing activities was \$50 million in 2023 compared to cash provided of \$190 million in 2022. The change of \$240 million was primarily due to the absence of the proceeds received in 2022 from the sale of our owned hotels and the termination fee from CorePoint Lodging in connection with the exit of our select-service management business.

Net cash used in financing activities decreased \$137 million compared to the prior-year period primarily due to \$110 million of borrowings on our revolving credit facility, which was used for investments in the business and share repurchases, and a decrease in stock repurchases as the prior-year benefited from the deployment of the proceeds received in connection with the sale of the owned hotels and exit of the select-service management business.

### Capital Deployment

Our first priority is to invest in the business. This includes deploying capital to attract high quality assets into our system, investing in select technology improvements across our business that further our strategic objectives and competitive position, brand refresh programs to improve quality and protect brand equity, business acquisitions that are accretive and strategically enhancing to our business, and/or other strategic initiatives. We also expect to maintain a regular dividend payment. Excess cash generated beyond these needs is expected to be available for enhanced stockholder return in the form of stock repurchases or potential acquisitions from time to time.

During the nine months ended September 30, 2023, we spent \$28 million on capital expenditures primarily related to information technology, including digital innovation. During 2023, we anticipate spending approximately \$35 million on capital expenditures.

In addition, during the nine months ended September 30, 2023, we spent \$47 million on development advance notes, net of repayments. During 2023, we anticipate spending approximately \$60 million on development advance notes. We may also provide other forms of financial support such as enhanced credit support to further assist in the growth of our business.

We expect all our cash needs to be funded from cash on hand and cash generated through operations, and/or availability under our revolving credit facility.

### Stock Repurchase Program

In May 2018, our Board approved a share repurchase plan pursuant to which we were authorized to purchase up to \$300 million of our common stock. The Board has subsequently increased the capacity of the program by \$300 million in August 2019, \$400 million in February 2022, \$400 million in October 2022 and \$400 million in July 2023. Under the plan, we may, from time to time, purchase our common stock through various means, including, without limitation, open market transactions,

privately negotiated transactions or tender offers, subject to the terms of the tax matters agreement entered into in connection with our spin-off.

Under our current stock repurchase program, we repurchased approximately 3.8 million shares at an average price of \$71.44 for a cost of \$270 million during the nine months ended September 30, 2023. As of September 30, 2023, we had \$569 million of remaining availability under our program.

#### ***Dividend Policy***

We declared cash dividends of \$0.35 per share in the first, second and third quarters of 2023 (\$90 million in aggregate).

The declaration and payment of future dividends to holders of our common stock is at the discretion of our Board and depends upon many factors, including our financial condition, earnings, capital requirements of our business, covenants associated with certain debt obligations, legal requirements, regulatory constraints, industry practice and other factors that our Board deems relevant.

#### **LONG-TERM DEBT COVENANTS**

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Our credit facilities contain customary covenants that, among other things, impose limitations on indebtedness; liens; mergers, consolidations, liquidations and dissolutions; dispositions, restricted debt payments, restricted payments and transactions with affiliates. Events of default in these credit facilities include, among others, failure to pay interest, principal and fees when due; breach of a covenant or warranty; acceleration of or failure to pay other debt in excess of a threshold amount; unpaid judgments in excess of a threshold amount, insolvency matters; and a change of control. The credit facilities require us to comply with a financial covenant to be tested quarterly, consisting of a maximum first-lien leverage ratio of 5.0 times. The ratio is calculated by dividing consolidated first lien indebtedness (as defined in the credit agreement) net of consolidated unrestricted cash as of the measurement date by consolidated EBITDA (as defined in the credit agreement), as measured on a trailing four-fiscal-quarter basis preceding the measurement date. As of September 30, 2023, our annualized first-lien leverage ratio was 2.5 times.

The indenture, as supplemented, under which the senior notes due 2028 were issued, contains covenants that limit, among other things, our ability and that of certain of our subsidiaries to (i) create liens on certain assets; (ii) enter into sale and leaseback transactions; and (iii) merge, consolidate or sell all or substantially all of our assets. These covenants are subject to a number of important exceptions and qualifications.

As of September 30, 2023, we were in compliance with the financial covenants described above.

#### **SEASONALITY**

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While the hotel industry is seasonal in nature, periods of higher revenues vary property-by-property and performance is dependent on location and guest base. Based on historical performance, revenues from franchise contracts are generally higher in the second and third quarters than in the first or fourth quarters due to increased leisure travel during the spring and summer months. Our cash from operating activities may not necessarily follow the same seasonality as our revenues and may vary due to timing of working capital requirements and other investment activities. The seasonality of our business may cause fluctuations in our quarterly operating results, earnings, profit margins and cash flows. As we expand into new markets and geographical locations, we may experience increased or different seasonality dynamics that create fluctuations in operating results different from the fluctuations we have experienced in the past.

#### **COMMITMENTS AND CONTINGENCIES**

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We are involved in claims, legal and regulatory proceedings and governmental inquiries related to our business. Litigation is inherently unpredictable and, although we believe that our accruals are adequate and/or that we have valid defenses in these matters, unfavorable results could occur. As such, an adverse outcome from such proceedings for which claims are awarded in excess of the amounts accrued, if any, could be material to us with respect to earnings and/or cash flows in any given reporting period. As of September 30, 2023, the potential exposure resulting from adverse outcomes of such legal proceedings could, in the aggregate, range up to approximately \$7 million in excess of recorded accruals. However, we do not believe that the impact of such litigation should result in a material liability to us in relation to our financial position or liquidity. For a more detailed description of our commitments and contingencies see Note 12 - Commitments and Contingencies to the Condensed Consolidated Financial Statements contained in Part I, Item 1 of this report.



## CRITICAL ACCOUNTING POLICIES

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In presenting our financial statements in conformity with U.S. GAAP, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it could result in a material impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. These Condensed Consolidated Financial Statements should be read in conjunction with our 2022 Consolidated Financial Statements included in our most recent Annual Report on [Form 10-K](#) filed with the U.S. Securities and Exchange Commission (the “SEC”) and any subsequent reports filed with the SEC, which includes a description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We use various financial instruments, including interest swap contracts, to reduce the interest rate risk related to our debt. We also use foreign currency forwards to manage and reduce the foreign currency exchange rate risk associated with our foreign currency denominated receivables and payables, forecasted royalties, forecasted earnings and cash flows of foreign subsidiaries and other transactions.

We are exclusively an end user of these instruments, which are commonly referred to as derivatives. We do not engage in trading, market making or other speculative activities in the derivatives markets. More detailed information about these financial instruments is provided in Note 11 - Fair Value to the Condensed Consolidated Financial Statements. Our principal market exposures are interest rate and currency exchange rate risks.

We assess our exposures to changes in interest rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest rates. Our variable-rate borrowings, which include our term loan, a portion of which has been swapped to a fixed interest rate, and any borrowings we make under our revolving credit facility, expose us to risks caused by fluctuations in the applicable interest rates. The total outstanding balance of such variable-rate borrowings, net of swaps, was \$541 million as of September 30, 2023. A hypothetical 10% change in our effective weighted average interest rate on our variable-rate borrowings would result in a \$3 million increase or decrease to our annual long-term debt interest expense, and a one-point change in the underlying interest rates would result in approximately a \$5 million increase or decrease in our annual interest expense.

The fair values of cash and cash equivalents, trade receivables, accounts payable and accrued expenses and other current liabilities approximate their carrying values due to the short-term nature of these assets and liabilities.

We have foreign currency rate exposure to exchange rate fluctuations worldwide, particularly with respect to the Canadian Dollar, the Chinese Yuan, the Euro, the Brazilian Real, the British Pound and the Argentine Peso. We anticipate that such foreign currency exchange rate risk will remain a market risk exposure for the foreseeable future.

We use a current market pricing model to assess the changes in the value of our foreign currency derivatives used by us to hedge underlying exposure that primarily consists of our non-functional-currency current assets and liabilities. The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all our currency exposures as of September 30, 2023. The gains and losses on the hedging instruments are largely offset by the gains and losses on the underlying assets, liabilities or expected cash flows. As of September 30, 2023, the absolute notional amount of our outstanding foreign exchange hedging instruments was \$150 million. We have determined through such analyses that a hypothetical 10% change in foreign currency exchange rates would have resulted in approximately a \$3 million increase or decrease to the fair value of our outstanding forward foreign currency exchange contracts, which would generally be offset by an opposite effect on the underlying exposure being economically hedged.

Argentina is considered to be a highly inflationary economy. As of September 30, 2023, we had total net assets of \$2 million in Argentina.

Our total market risk is influenced by a wide variety of factors including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses presented. While probably the most meaningful analysis, these “shock tests” are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

**Item 4. Controls and Procedures.**

- (a) *Disclosure Controls and Procedures.* As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13(a)-15(e) of the Exchange Act). Based on such evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures were effective and operating to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.
- (b) *Internal Control Over Financial Reporting.* There have been no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As of September 30, 2023, we utilized the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

**PART II – OTHER INFORMATION****Item 1. Legal Proceedings.**

We are involved in various claims, legal and regulatory proceedings arising in the ordinary course of business, none of which, in the opinion of management, is expected to have a material adverse effect on our financial condition. See Note 12 - Commitments and Contingencies to the Condensed Consolidated Financial Statements for a description of claims and legal actions arising in the ordinary course of our business.

**Item 1A. Risk Factors.**

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (“Annual Report”), filed with the Securities and Exchange Commission, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

In May 2018, our Board of Directors (“Board”) authorized a stock repurchase program that enables us to repurchase up to \$300 million of our common stock. In August 2019, our Board increased the capacity of the program by \$300 million. Our Board increased the capacity of the program by \$400 million in February 2022 and an additional \$400 million in October 2022. In July 2023, our Board approved an increase in the capacity of the program by \$400 million. Below is a summary of our common stock repurchases, excluding excise taxes and fees, by month for the quarter ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under Plan
July	167,388	\$ 74.10	167,388	\$ 659,478,896
August	593,127	75.32	593,127	614,805,422
September	624,646	73.17	624,646	569,100,660
<b>Total</b>	<b>1,385,161</b>	<b>\$ 74.20</b>	<b>1,385,161</b>	<b>\$ 569,100,660</b>

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.****Rule 10b5-1 Trading Plans**

On August 18, 2023, Nicola Rossi, the Company’s Chief Accounting Officer, adopted a Rule 10b5-1 trading plan (the “Trading Plan”). The Trading Plan is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The Trading Plan provides for the potential exercise of vested stock options and the associated sale of up to 3,200 shares of the Company’s common stock underlying the options, commencing on November 20, 2023. The Trading Plan terminates on the earlier of May 31, 2024 or the date all shares are sold.

**Item 6. Exhibits.**

The exhibit index appears on the page immediately following the signature page of this report.

**SIGNATURES**

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

**WYNDHAM HOTELS & RESORTS, INC.**

Date: October 26, 2023

By: \_\_\_\_\_  
/s/ Michele Allen  
Michele Allen  
Chief Financial Officer

Date: October 26, 2023

By: \_\_\_\_\_  
/s/ Nicola Rossi  
Nicola Rossi  
Chief Accounting Officer

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
3.1	<a href="#">Third Amended &amp; Restated Certificate of Incorporation of Wyndham Hotels &amp; Resorts, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed May 10, 2023)</a>
3.2	<a href="#">Third Amended and Restated By-Laws of Wyndham Hotels &amp; Resorts, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed January 6, 2023)</a>
15.1*	<a href="#">Letter re: Unaudited Interim Financial Information</a>
31.1*	<a href="#">Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32**	<a href="#">Certification of President and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

\* Filed herewith.

\*\* Furnished with this report.

October 26, 2023

To the Board of Directors and Stockholders of  
Wyndham Hotels & Resorts, Inc.  
22 Sylvan Way  
Parsippany, New Jersey 07054

We are aware that our report dated October 26, 2023, on our review of the interim financial statements of Wyndham Hotels & Resorts, Inc. appearing in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, is incorporated by reference in Registration Statement No. 333-224923 on Form S-8 and Registration Statement No. 333-232421 on Form S-8.

/s/ Deloitte & Touche LLP  
New York, New York



## CERTIFICATION

I, Michele Allen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wyndham Hotels & Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

/s/ MICHELE ALLEN  
\_\_\_\_\_  
CHIEF FINANCIAL OFFICER



**CERTIFICATION OF PRESIDENT AND CEO AND CFO PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Wyndham Hotels & Resorts, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Geoffrey A. Ballotti, as President and Chief Executive Officer of the Company, and Michele Allen, as Chief Financial Officer of the Company (each, the "Reporting Person"), each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the Reporting Person's knowledge:

- (1.) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2.) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/* GEOFFREY A. BALLOTTI

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GEOFFREY A. BALLOTTI  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
October 26, 2023

*/s/* MICHELE ALLEN

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MICHELE ALLEN  
CHIEF FINANCIAL OFFICER  
October 26, 2023